Austria	Sch[illegible]	Indonesia	Rp[illegible]	Philippines	Pso[illegible]
Bahrain	Din[illegible]	Iran	Rls210	Poland	Zl 9,000
Belgium	BFr65	Israel	Shk[illegible]	Portugal	Esc150
Cyprus	C£0.[illegible]	Italy	L2000	Qatar	QR[illegible]
Denmark	DKr12.[illegible]	Jordan	Fils[illegible]	S.Arabia	SR7.[illegible]
Egypt	E£[illegible]	Kuwait	Fils.[illegible]	Singapore	S$4.10
Finland	Fmk[illegible]	Lebanon	L£[illegible]	Spain	Pta[illegible]
France	FFr7.00	Lux	LFr65	Sweden	SKr12
Germany	DM2.[illegible]	Malaysia	M$[illegible]	Switz	SFr2.[illegible]
Greece	Dr150	Morocco	Dh[illegible]	Thailand	Bt[illegible]
Hong Kong	HK$12	Neth	Fl 3.25	Tunisia	Din[illegible]
Hungary	Ft[illegible]	Nigeria	Naira10	Turkey	L3400
Iceland	IKr160	Norway	NKr12.00	UAE	Dh7.00
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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Φ D 8523A

UNITED STATES

Harvard innovator to stand down

Page 7

World News

Destruction and deaths reported in Soviet quake

An earthquake that shook eastern Europe killed six people in Romania and an unspecified number in the southern Soviet Union. Soviet parliamentary chairman Ilmar Bisher said the earthquake caused destruction and deaths, particularly in the Republic of Moldavia, bordering Romania. Page 2

Beach battle

Israeli troops killed four guerrillas and captured 12 others in foiling sea attacks on two Israeli beach resorts yesterday. Page 3

Workers' fear

Thousands of foreign workers have crowded into immigration offices and airports fearing that a change in Japan's immigration laws tomorrow will lead to imprisonment or heavy fines. Page 4

Drugs hard line

OECD ministers approved plans to boost international co-operation and toughen laws against drug money laundering. Page 6

Minister sacked

The Indian minister responsible for finding a political solution to the crisis in Jammu and Kashmir was yesterday stripped of his responsibilities by Mr V.P. Singh, the Prime Minister. Page 3

Goddess sold

The Goddess of Democracy radio ship will be sold for $550,000 to a Taiwan businessman who will use it as a floating museum following the failure of plans by the owners to use the ship to beam pro-democracy messages to China.

Fraud mountain

The EC's financial watchdog, the Court of Auditors, criticised the system of selling off the Community's food surpluses, saying it was wide open to fraud. Page 20

Refugees attacked

Liberian soldiers invaded a United Nations Development Programme compound in Monrovia, the capital, shooting and bayoneting people, diplomats said. Several Gio and Mano tribespeople who had taken refuge fearing a rebel attack were reported killed.

End of the wall

East Germany said that by July 2 it will have restored all road links severed when the wall was built between East and West Berlin in 1961.

US criticised

Arab leaders criticised US support for Israel despite Egyptian pressure to curb anti-American rhetoric at the close of an emergency Arab summit in Baghdad. Page 20

Peru rocked

An earthquake rocked northern Peru on Tuesday, toppling buildings and killing at least 100 people. Civil defence officials said the death toll could rise far higher following reports of mudslides caused by the quake burying four remote villages.

Polish poll

Solidarity candidates won 41.43 per cent of seats in the first 16 provinces for which results were available in Polish local elections, well ahead of rival parties. But 37.92 per cent were won by locally-organised groups or independent candidates.

Bulgarian rally

More than 20,000 supporters attended a rally in Plovdiv as Bulgaria's opposition stepped up its campaign against the former communist party ahead of next month's elections.

Food for thought

Ministers of the OECD sat through a four-hour working lunch in Paris, bogged down in a row over the high cost of subsidised food.

Business Summary

Bundesbank chief denies union rift with Bonn

Mr Karl Otto Pöhl, president of the Bundesbank, denied that a rift had developed between the West German central bank and the Bonn Government over the terms and the speed of currency union with East Germany. Mr Pohl said the Bundesbank had been involved in all the consultations leading up to the union treaty and the central bank's main demand – that it be solely responsible for monetary policy between the two Germanys – had been fulfilled. Page 20

OECD said higher prices for farm products led to a decline in support for agriculture in the industrial world last year. Page 6

AUSTRALIA's unexpectedly robust 1.8 per cent rise in GDP has allayed fears of a recession. Page 4

TRELLEBORG, Swedish industrial group, reported a fall in net profits for the first four months of the year, falling 11 per cent to SKr904m ($149m) from SKr1.02bn in the same period in 1989. Page 24

SMITHKLINE Beecham, Anglo-American drugs and consumer goods company, is selling the bulk of its European cosmetics businesses to Joh. A. Benckiser, West German manufacturer of detergents. Page 21

AUSTRALIA and New Zealand Banking Group (ANZ) and National Mutual Life Association will push ahead with a close commercial relationship, despite Australian government opposition. Page 21

PARIBAS, French investment banking group, formally ended its unsuccessful FFr26bn ($4.5bn) bid for Compagnie de Navigation Mixte, the champagne-to-insurance conglomerate. Page 22

SWEDEN'S largest 20 companies earned 29 per cent more from capital employed overseas than from domestic operations over the past three years. Page 24

ELF AQUITAINE, French state-controlled oil group, appeared to confirm speculation that it might bid for Enterprise Oil, Britain's biggest independent oil company, in which it has a 25 per cent stake. Page 21

CITICORP, largest US bank, might spend up to $1bn to buy its way into British retail banking, said Mr John Reed, its chairman. Page 21

JAPAN'S leading camera companies reported boosted profits after strong sales in the sector in the year to March. Page 23

TELECOM Corporation, due for privatisation by the New Zealand Government, attacked the level of dividend the state was requiring it to pay. Page 23

WEST GERMANY urged its OECD trading partners to invest in East Germany after the union of the two Germanys on July 2. Page 6

GLAXO, leading British pharmaceuticals companies, is on the verge of seeking regulatory approval for a innovative drug to treat migraine. Page 10

PETROLEOS de Venezuela (PVDSA), Venezuelan national oil company, is to invite foreign companies to explore for and produce oil and gas in Venezuela. Page 24

HONEYWELL, US electronics group, and Northwest Airlines reached agreement with the Soviet Union to develop a new satellite navigation system for aircraft. Page 7

BRITAIN'S economic growth rate could double next year if the pound becomes a full member of the European Monetary System, according to an independent research group. Page 10

BRAZIL's central bank imposed a vigorous monetary clampdown. Page 7

Moscow urged to frame new Soviet constitution

By Quentin Peel and Anatole Kaletsky in Moscow

MR Alexander Yakovlev, the Soviet leader closest to President Mikhail Gorbachev, yesterday proposed a new constitution for the nation in which every republic would conclude different, individually tailored treaties with the centre.

His vision of a loose and disparate federated state came as Mr Boris Yeltsin, newly elected president of the Russian federation, called for the resignation of Mr Nikolai Ryzhkov, the Soviet Prime Minister, and demanded the right to conclude his own oil supply contracts with other parts of the country.

The new Russian leader, elected in spite of the strong opposition of President Gorbachev, called for a sweeping devolution of powers from the central Government, and denounced economic reform proposals by Mr Ryzhkov.

Mr Yakovlev's plan appears to be an attempt to accommodate the upsurge in Russian nationalism, and growing demands from all sides of the Soviet empire, to gain greater sovereignty, if not outright independence.

By offering different deals to every republic, he would seek to meet the secession claims of the Baltic republics, like Lithuania, the determination of central Asian republics to remain under Moscow's umbrella, and the latest Russian demands for a new deal.

Boris Yeltsin: called for Ryzhkov's resignation

Nikolai Ryzhkov: wants traditional planning

He proposed the new constitution at the opening of a Financial Times conference in Moscow, discussing finance, trade and investment in the USSR in the light of last week's economic reform package.

"Some of the republics may delegate a few of their powers to the union. Other republics may delegate a major proportion of their functions," he said. "The Union treaty should not be a dogma, a skeleton the same for everybody."

However, his vision of such a loose federation was greeted with deep scepticism from the foreign business audience, alarmed at the effect of the economic unity of the country disappearing.

At the same time, Dr Leonid Abalkin, the Deputy Prime Minister in charge of economic reform, argued strongly against 15 different republics seeking to impose differing government regimes.

Mr Yakovlev admitted that already trade barriers were being erected between republics, and between major cities, as shortages of food supplies and consumer goods encouraged widespread hoarding and panic buying. He insisted that only a resolute switch to a market economy would break down those barriers.

The whole process of making that transition from the current central planning system is now the subject of a furious debate which has split the Government, apparently setting Mr Gorbachev against Mr Ryzhkov, and encouraged the latest demands for the Prime Minister to quit. Mr Yeltsin said the Prime Minister should admit his economic reforms had failed.

At the FT conference, a fellow leader of the radical opposition, Mr Gavriil Popov, the mayor of Moscow, said that the key to reform was now the break-up and disposal of state property throughout the country – and not the Government's idea of raising controlled prices across the board.

He charged that the ruling Communist Party had blocked more radical reforms because it refused to give up its political control in state enterprises and ministries.

Continued on Page 20
Conference report, Page 2

Gorbachev faces pressure to agree on German unity

By Peter Riddell and Lionel Barber in Washington

PRESIDENT George Bush will today attempt to break the Soviet-Western deadlock over the future of Germany by proposing a compromise involving limits on the future size of German armed forces and the promise of economic assistance for the Soviet Union.

He will open four days of talks with President Mikhail Gorbachev by putting forward a nine-point package aimed at winning Soviet support for a united Germany within Nato. This will combine reassurance on future security arrangements for Germany and backing for West German led aid to the Soviet Union as it faces growing economic difficulties.

Mr Bush will couple this offer with a warning that the Soviet Union risks isolating itself from the rest of the Europe by its continued opposition to Nato membership for a united Germany, reiterated yesterday by Mr Gorbachev, and by its squeeze on Lithuania.

The chief obstacle to progress in recent discussions has been Soviet fears about the political and military power of a unified Germany.

The novel feature of latest proposals is an understanding covering the future size of the German army. Mr Bush is expected to suggest that a "general statement" on the future size of German forces be added in some way to the conventional forces (CFE) treaty currently under negotiation in Vienna.

This "side-bar" declaration would serve as a bridge to a second round of conventional force talks (CFE2) aimed at further reductions in Germany's troops as well as those of other European countries. The follow-on negotiations will also cover military doctrine and the overall size of forces in central Europe.

This possible way out of the German impasse is the result of close consultation between Bonn and Washingon in the last couple of weeks, culminating yesterday in a telephone call between Mr Bush and Chancellor Kohl.

The US side is braced for what one senior participant described as "Mr Gorbachev's special mix of aggressiveness and search for sympathy." On the eve of the talks there was uncertainty about whether the Soviet leader would be ready to make firm commitments ahead of his party congress in Moscow in early July.

Although the main focus will be the unification of Germany and a security framework for Europe, the two leaders are

Continued on Page 20

France halts British beef imports

By William Dawkins in Paris, Tim Dickson in Brussels and David Thomas and Jimmy Burns in London

FRANCE has suspended all imports of British beef in response to "mad cow disease," the nervous disorder which has killed thousands of cattle, provoking a furious reaction from the British Government and farmers in the UK.

The ban effectively closes off the largest export market by far for UK cattle breeders.

The British Government immediately asked the European Commission to launch an investigation of the French ban and accused the French Government of using "mad cow" fears to protect its domestic market.

Mr John Gummer, Britain's Minister of Agriculture and Food, said: "The French action is unwarranted, unjustified and contrary to European Community law. It undermines the whole basis of trading between partners which must be based on mutual recognition of community institutions and expert scientific advice."

Mr Henri Nallet, the French Agriculture Minister, told the country's parliament yesterday that the ban aims "to reassure French consumers that meat is free from all disease."

The ban applies from this morning to imports of live and slaughtered animals, including veal, and will last "until the provision of adequate guarantees from the British authorities," said Mr Nallet.

Britain sold 71,300 tonnes of beef to France, worth £157m ($265m), last year, more than half the £304m value of all Britain's beef exports.

The UK Agriculture Ministry and the European Commission had been notified of this "extremely difficult" decision, said Mr Nallet.

Mr Raymond MacSharry, the EC Agriculture Commissioner, said he deplored the decision, especially since the Community had already taken action against the disease, bovine spongiform encephalopathy (BSE).

Existing EC measures against BSE only prevent exports of live UK animals over six months old. West Germany went further in January by insisting that it would only import boneless British beef, a stance which has earned UK and Commission disapproval. Austria also moved this week to impose curbs.

The dispute is likely to come to ahead at a meeting of EC and national veterinary experts in Brussels next week, when the Commission is expected to press France for evidence to back up yesterday's decision.

British anger is intensified by France's recent strong backing to the general view in Brussels that no further EC measures are needed.

The British National Farmers Union last night issued a strongly-worded statement, condemning the "unilateral action" taken by an EC member.

The British meat industry also reacted angrily to the French move yesterday and warned that an extended ban could have a potentially crippling impact on farmers and exports.

French consumer worries are believed to have been behind a fall in beef – as well as mutton – prices in France recently.

Breeders brought their general resentment to the French capital only earlier this week, when sheep farmers and their flocks demonstrated beneath the Eiffel tower, this time against New Zealand lamb imported via the UK.

UK reaction, page 11

Arab leaders blame US for Israeli policy

By Tony Walker and Lamis Andonni in Baghdad

ARAB LEADERS yesterday finished their summit in Baghdad with a condemnation of what they described as Israel's aggressive policies and blamed the US for encouraging Israeli "expansionism".

But an emergency Arab summit stopped short of advocating sanctions against the US, as some leaders had demanded.

The relatively sharp tone of the final communiqué represented a victory for the more confrontational line encouraged by Iraq and the Palestine Liberation Organisation.

Egypt and Saudi Arabia, the leading Arab moderates, had argued for a softer approach, saying that it would be counterproductive to challenge the US directly over its support for Israel at the moment in the light of Washington's backing of efforts to revive the peace process.

The communiqué accused the US of "major responsibility" for what it described as Israeli "aggression, terrorism and expansionism". Arab leaders charged that Israel could not continue to defy the will of the international community without US military, financial and political support.

The sharply worded final resolution shied away from proposing specific measures to attempt to halt the mass influx of Soviet Jews to Israel.

Mr Yassir Arafat, PLO chairman, had asked, unsuccessfully, for an emergency summit to debate what he saw as the threat to the Palestinian dream of a state of their own

Israel foils beach assault, Page 4

US and EC fail to agree farm subsidy reform at OECD talks

By Peter Montagnon in Paris

INTERNATIONAL talks in Paris on world farm reform broke up in open disarray last night as the US and the European Community failed to patch up their differences on reducing subsidies.

The outspoken differences which remained between the two sides after a five-hour lunch session at the Organisation for Economic Co-operation and Development (OECD) are a setback to the Uruguay Round of multilateral trade liberalisation talks.

Ministers had hoped to use the OECD meeting to give a positive push to the round – in which farm reform plays a central role. Instead, their differences will be fully reflected in a communiqué to be issued by the OECD today.

As the discussion broke up, Mr Clayton Yeutter, US Agriculture Secretary, said the EC had simply proved unwilling to deal with the need to reduce export subsidies. "For the US that is not good enough. In our judgement that's not good enough for the rest of the world."

Mr Frans Andriessen, EC Trade Commissioner said the OECD was the wrong forum to negotiate on trade because many participants in the Uruguay Round were not members.

The US was also trying to go back on positions previously agreed in the round.

"The US made a serious mistake by trying to negotiate here," he said. The EC was willing to negotiate in the General Agreement on Tariffs and Trade (Gatt) but could not "change the language" at the OECD.

At the heart of the dispute is the EC's reluctance to agree specific commitments in three separate areas of agricultural reform: export subsidies, import barriers and domestic support.

It argues that such an approach would put it under pressure to agree to reductions in export subsidies while the US would remain free to make so-called deficiency payments to its farmers as part of its domestic support programme.

These also affect trade, EC officials say. Individual reforms are interrelated and cannot be taken separately. Mr John Crosbie, Canada's Trade Minister, said he was dismayed that neither side had made any serious attempt to resolve their differences. "I was disappointed that they seem to be so adamant – and most of it just semantic," he said.

Both EC and US officials said they still hoped to resolve their differences in time to complete the Uruguay Round on schedule in December.

However, yesterday's OECD talks on trade were also marked by a renewed EC attack on US unilateralism in trade policy, which Mr Andriessen said would hamper agreement on a new dispute settlement system for Gatt.

Hopes were also dashed yesterday that the OECD could agree to new investment rules guaranteeing that its members would not discriminate against foreign companies operating in their territory.

Details, Page 6: Major says UK interest rates could rise again, Page 20

CONTENTS

French Socialists under siege in a changing political climate

French Prime Minister Michel Rocard's instinct to search for consensus has become a necessity in the absence of a parliamentary majority. But a spate of controversies has sent his popularity tumbling

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MARKETS

STERLING
New York close
$1.6940 (1.6940)
London:
$1.6920 (1.6950)
DM2.8450 (2.8350)
FFr9.5925 (9.5475)
SFr2.4025 (2.3900)
Y256.00 (255.75)
£ Index 89.4 (88.9)

GOLD
New York: Comex Jun
$364.1 (367.4)
London:
$368.50 (367.50)

N SEA OIL (Argus)
Brent 15-day Jul
$16.85 (16.45)

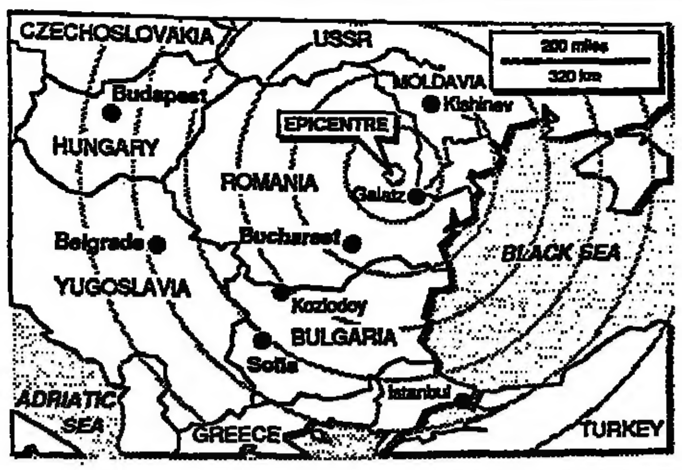
Chief price changes yesterday: Page 21

DOLLAR
New York: close
DM1.68225 (1.67465)
FFr5.6725 (5.6385)
SFr1.4230 (1.4113)
Y151.45 (151.30)
London:
DM1.6815 (1.6720)
FFr5.6700 (5.6325)
SFr1.4205 (1.4085)
Y151.30 (150.90)
$ Index 67.3 (67.2)
Tokyo close: 150.75

US closing rates
Fed Funds 7% ($8\frac{1}{4}$)
3-mo Treasury Bills:
yield: 8% (7.99)
Long Bond:
$101\frac{11}{32}$ ($101\frac{3}{8}$)
yield: 8.59% (8.62)

STOCK INDICES
FT-SE 100:
2,346.2 (+50.6)
FT Ordinary:
1,857.4 (+34.1)
FT-A All-Share:
1,154.29 (+1.9%)
New York close
DJ Ind. Av.
2,878.56 (+8.07)
S&P Comp
360.86 (+0.21)
Tokyo: Nikkei
32,926.26 (+108.59)

LONDON MONEY
3-month Interbank:
closing $15\frac{1}{32}$% ($15\frac{3}{32}$)
Liffe long gilt future:
Jun $82\frac{21}{32}$ ($82\frac{3}{32}$)



Powerful earthquake strikes northern Romania

A POWERFUL earthquake struck northern Romania yesterday, rocking cities in the Soviet Union, Hungary, Greece, Turkey, Yugoslavia, Bulgaria and Poland, causing deaths and injuries, writes Our Foreign Staff.

Richter scale readings from *seismological stations* around the world ranged from 6.5 to 7.5.

Police in Bucharest said the earthquake, which hit just before 2pm local time, killed six and injured more than 100 others. Reports from ORF, the Austrian state radio station put the Romanian death toll at 30.

Tass, the Soviet news agency, said the earthquake had killed an unspecified number of people in the southern Soviet Union.

Mr Mikhail Gorbachev, the Soviet leader, in Ottawa on his way to his summit meeting with President George Bush said, that reports he had received *so far indicated* there had been no deaths or major destruction and there was no need for him to cut short his visit.

Mr Gorbachev was in New York to address the United Nations in December 1988 when an earthquake hit Soviet Armenia, killing 25,000 and forcing him to return home.

The Romanian press agency Rompres said the earthquake's epicentre was located in Vran*cea county in the Carpathian mountains bordering* Romania, the Soviet Union and Hungary. Vrancea has been the scene of two other big earthquakes since 1977, the most serious of which killed 1,500 people.

Most of the injured were in Brasov, a mountain industrial and tourist town.

Thousands of frightened residents ran from trembling Bucharest buildings into streets where chunks of concrete were landing. Some debris *shattered car* windscreens. All telephone and telex lines to the Romanian capital were cut.

Some 1,500 people went to University Square, which anti-Communist protesters have blocked for 39 days. The mayor of Bucharest had ordered the square cleared by yesterday but the protesters' barricades were still in place after the earthquake struck.

There were no reports of injuries or serious damage in other countries.

Société Générale insider charges call

By George Graham in Paris

THE French Justice Ministry has urged the public prosecutor to bring charges of insider trading against five people involved in the 1988 stock market raid on Société Générale, the leading private sector commercial bank.

The expected charges, coming 10 months after French stock market investigators presented their findings to the Paris public prosecutor's office, are viewed as evidence of a renewed determination by the French judicial authorities to come to grips with white collar crime.

In recent weeks, public opinion has been distressed by an amnesty for politicians accused of illicit fund-raising. While the Government is not involved in these insider trading charges, it is closely linked with some of those expected to be charged.

These include Mr Jean-Charles Naouri, formerly the chief adviser to Mr Pierre Bérégovoy, the Finance Minister, and now head of the Euris investment fund, and Mrs Geneviève Dalle, wife of the former chairman of L'Oréal, the world's largest cosmetics company.

Mr Naouri and Mr Dalle both took direct roles in the fruitless attempt led by Mr Georges Pébereau's Marceau Investissement to build up a dominant stake in Société Générale, which had been privatised the previous year.

The effort was backed overtly by the Caisse des Dépôts, the state financial institution, and implicitly by Mr Bérégovoy, leading to speculation that the government was attempting a form of backdoor renationalisation.

Mr Bérégovoy's name was also linked to the acquisition by Pechiney, the French state-owned aluminium company, of American National Can in the US, after which eight people were charged with insider trading – though two of them have since died. Even though his personal integrity has not been called into question, the association of a socialist administration with financial dealings of this kind has proved embarrassing.

President François Mitterrand this week delivered a ringing attack on speculative financial gains.

"Today, you can get rich while you sleep. It is enough to own the right shares or the right land or the right property, and watch time pass," he said in a speech in Auxerre.

Besides Mrs Dalle and Mr Naouri, those to be charged are Mr Jean-Claude Foureau and Mr Jean-Pierre Peyraud.

Rocard rebuffed on immigration

By Ian Davidson in Paris

FRANCE'S main opposition *parties have rejected overtures* by Mr Michel Rocard, the Prime Minister, for a left-right consensus on the admission and treatment of immigrants, *despite significant concessions* by the Government.

Mr Rocard presented his so-called "minimum charter", which would include a distinct *hardening of the Government's* policy towards immigrants, at a meeting to which he invited leaders of all the parliamentary parties on Tuesday.

The opposition almost turned down the invitation. In the end it went, only to reject Mr Rocard's proposals.

The proposals are designed *to contain the surge* of anti-immigrant feeling which has welled up in recent months, most sharply in the aftermath of the desecration of the ancient Jewish cemetery at Carpentras. This is reflected in the continuing high level of support in opinion polls for Mr Jean-Marie Le Pen and his extreme right-wing National Front.

The Gaullist and centre-right opposition parties profess indignation at the idea that they might contemplate any deal with the National Front. But they are anxious to recapture voters who have swung behind Mr Le Pen, and they rejected the Rocard charter for not going far enough.

The Rocard charter would include tighter restrictions on granting tourist visas and heavier penalties for those who employ clandestine workers or who bring illegal immigrants into France. The right of asylum would be applied more strictly and the Government might revise the right of asylum-seekers to receive work permits, in view of the fact that the processing time-lag has been shortened from a couple of years to weeks.

Mr Rocard's charter includes speedier naturalisation procedures and improved housing and schooling measures for legal immigrants.

His proposals did not go nearly far enough for the opposition parties, which demanded, among other measures, quicker procedures for expelling illegal immigrants.

Soviet parliament prepares to legalise pluralism

Multi-party reforms set in motion

By Leyla Boulton in Moscow

THE Soviet parliament yesterday completed its first reading of legislation approving the flowering over the past two years of the Soviet Union's first multi-party activity since the 1917 revolution.

The Communist Party effectively paved the way for pluralism when it gave up its constitutionally-enshrined monopoly on power earlier this year.

An estimated 1,000 groups and parties, ranging from Monarchists to Anarcho-Syndicalists, have appeared over the past two years, encouraged by the perestroika reforms of Mr Mikhail Gorbachev, the Soviet President.

By providing for the registration of parties, the new law will clear the way for them to operate unhindered.

The Leningrad Green Party, for instance, was told by hostile local authorities in April that it could not call itself a party because there was no legislation for new parties.

The new legislation should also make it easier for a new party to gain access to facilities which are still controlled by the state, such as offices, telephones, and paper.

"This law will remove extra obstacles standing in the path of parties," said Mr Andrei Sebentsov, a member of the Supreme Soviet's legal committee.

"But whether they will be able to overcome the economic and political problems the country faces is another matter," he added.

In a clause which could theoretically be used against, for example, secessionist Lithuanians, the law bans parties from seeking forcibly to change the constitutional system, disrupt the territorial integrity of the USSR or foment social, ethnic or religious strife.

A chaotic start for the latest and most promising political party, the Democratic Party of Russia, illustrated the difficult birth-pangs of democracy after seven decades of Communist dictatorship.

On the surface last weekend's founding meeting in Moscow looked like any party congress in the West.

About 600 delegates had come from all over the Russian Federation, the Soviet Union's largest constituent republic, attracted primarily by its founder, the chain-smoking worker-turned-politician Mr Nikolai Travkin.

Even the programme of Mr Travkin, a Hero of Socialist Labour who left the Communist Party in disgust earlier this year, was western: a genuine market economy and democratic pluralism. The delegates were keen and earnest.

"We need a real force to oppose the Communist Party," said Ms Natasha Pavlova, a writer from the Latin America Journal.

"We elected honest people to parliament but there are too few of them. "We hope this will be a serious party but there has been little time to prepare it properly."

The slogans were beautifully decked out for all to see: "We are for a Society of Equal opportunities" and "Political Stability Through Economic Freedom".

The handling of the debate was impeccable.

What distinguished the Soviet meeting from its western counterparts, however, was the legacy of 73 years of Communist Party rule, which has made many Russians almost paranoid about their new-found freedom.

Before the two-day meeting ended, a group of 50 delegates had left the party because they feared its internal organisation augured a return to the very authoritarianism it was setting out to dismantle.

"I don't blame them," said world chess champion Mr Gary Kasparov, who decided, rather than leave the party, to set up his own faction of Free Democrats within it.

"I think many of them will come back but it's just that they saw the same problems which they have been suffering from under 73 years of Bolshevism."

Other groups, such as the Democratic Forum, want to take Russia back in time by calling for a Constituent Assembly to do the job it was never allowed to carry out back in 1918 – drawing up a democratically chosen constitution.

It was suppressed by the Bolsheviks when it not only failed to produce a Bolshevik majority but refused to recognise Lenin's Government as legitimate.

Mr Sergei Skripnikov, a member of the Democratic Union's co-ordinating committee, said: "We believe that you cannot create a democratic country in an anti-democratic system. We believe the system cannot be reformed but has to be replaced. Our aim is to call a Constituent Assembly."

Economists clash over reform line

By Anatole Kaletsky in Moscow

SHARP disagreements within the Soviet leadership over the Government's latest economic reform plan were highlighted yesterday at the conference.

Last week's proposals for swingeing price increases and the gradual implementation of market mechanisms were strongly defended by Academician Leonid Abalkin, the deputy Prime Mininster and chief author of the reform plan.

They were also endorsed by Dr Aleksandr Yakovlev, the powerful Communist Party secretary who is considered President Mikhail Gorbachev's closest ally and confidant.

But the plan was denounced as a last-ditch attempt to preserve the economic role of the party apparatus by Dr Gavriil Popov, the mayor of Moscow, and characterised as "a shock without any therapy" by Academician Oleg Bogomolov, director of the Institute on Economics of the World Socialist System, and one of Mr Gorbachev's hand-picked group of radical advisers.

All the Soviet speakers agreed the collapse of the command economy was now irreversible and that a faster move towards the market was urgent. But there was no agreement, either about the pace or principles of reform.

Mr Abalkin said his commission on reform had studied two alternative routes to the broadly-endorsed objective of a "regulated market economy."

According to econometric models, the first would produce a 20-25 per cent collapse of national output during 1991 and 1992, but then lead to a much more dynamic recovery. By 1995, national income would be 38-41 per cent above its current level.

The more gradual alternative, which was adopted by the Government, would cause a much smaller initial loss of output, although the benefits would be a 10-15 per cent gain in national income by 1995.

Mr Abalkin said the Government had no real choice but to adopt the second option. The initial hardship under the first plan would have led to social collapse, precipitated by strikes and public disorder.

Mr Popov, however, argued that the Government's true reason for rejecting the radical alternative was not the difficulty for workers. Rather, the radical approach would have necessitated the "removal of all party organs from every enterprise and economic institutions".

Dr Bogomolov added that a wiser reform plan would have begun with agriculture, introducing full private ownership in the countryside. The Government should also have given primacy to privatisation of industrial enterprises and competition.

There was unanimous support for Mr Gorbachev's reform efforts among the western and Japanese speakers, though this was tempered by severe concern about the nation's immediate prospects. Mr Laurent Fabius, president of the French National Assembly, said the biggest risk for the Soviet Union's western partners would be to "wait and see" until the Gorbachev reforms were completed. They had to find ways of investing in the economy even at this stage.

Mr Otto Wolff von Amerongen, chairman of Otto Wolff AG and of the East-West Trade Committee, expressed anxieties about the growing disputes between Soviet central and regional powers and the additional uncertainties this produced for business and trade.

Regarding the outlook for specific industrial sectors, Dr Klaus Liesen, Ruhrgas chairman, said the recent sharp fall in Soviet earnings from energy exports had "nothing to do with perestroika and everything to do with energy prices".

FT
CONFERENCE
FINANCE AND INVESTMENT
TRADE WITH THE SOVIET UNION

Yeltsin treads softly on first day at work

By Leyla Boulton

MR Boris Nikolayevich Yeltsin started his new job as president of Russia yesterday, his characteristically provocative style tempered by his delicate position in the Soviet power game.

Although greeted as a saviour by ordinary Russians, the flamboyant Siberian was elected to the top job in the Russian Federation, the Soviet Union's largest constituent republic, by a majority of only four votes after three tortuous rounds of voting.

Immediately after his election late on Tuesday, the arch-rival of Soviet President Mikhail Gorbachev promised to spare "nothing, neither health nor time, to help get Russia out of its crisis and lead it into better times".

As if demonstrating his determination to create a sovereign Russia freed from both subsidising and controlling outlying republics, one of Mr Yeltsin's first appointments yesterday was with a delegation from the breakaway Lithuania.

Moscow Radio's Interfax news service said that the two sides concluded that there was a need for starting direct contacts, probably as of today, between Lithuania and the new Russian leadership.

Mr Yeltsin, who has sharply criticised the Kremlin's handling of Lithuania's independence drive, called during his election campaign for new treaties between Russia and other republics, not to mention foreign states.

But the former Moscow Communist Party boss, who was sacked from the Politburo two years ago, also urged a reconciliation of different political factions. He did so in the full knowledge that nearly half of Russia's deputies voted against him.

Hence the launch yesterday, at Mr Yeltsin's suggestion, of a so-called conciliatory commission at the Congress of People's Deputies, the "super-parliament" which elected him.

Although Mr Yeltsin has the constitutional right to put forward names himself, it is the broadly-based commission that will choose candidates for the jobs of Russian prime minister, and other republican leaders.

It will also work out rules for electing a Russian Supreme Soviet, or standing parliament, of which Mr Yeltsin would be chairman.

Tass, the official Soviet news agency, yesterday hailed the commission meeting as the first step along a "challenging path" of national reconciliation.

However, Mr Ivan Frolov, editor of the Communist Party daily Pravda, had a warning. "If the situation [in the country] does not improve, people will start to criticise Yeltsin," Mr Frolov, one of Mr Gorbachev's closest advisers, said in an interview.

"Boris Nikolayevich is very strong in terms of destructive power, like a bulldozer, but now that he has power, he should share the responsibility."

East German pollution pact agreed

THE polluting brown coal power stations which produce 80 per cent of East Germany's electricity must adopt strict West German emission control standards by 1996 or close, under an agreement reached between Bonn and East Berlin yesterday, **David Goodhart reports from Bonn.**

The agreement, which like the German currency and economic union will come into force on July 1, commits East Germany to taking over most of West Germany's environmental protection standards in water, waste, emission control and chemicals.

West German emission standards will apply at once to new investment in East Germany. But a phase-in period of up to nine years has been allowed for the conversion of existing industrial plants and power stations.

West Germany, meanwhile, plans to become the first country in the world to ban all production and use of ozone-depleting chlorofluorocarbons (CFCs), according to Mr Klaus Töpfer, the Environment Minister.

The chemicals will be eliminated from aerosol sprays next year and disappear completely by 1995, five years before a worldwide agreement to get rid of CFCs and two years before a European Community deadline.

● West German inflation held steady at 2.3 per cent in May, according to provisional estimates of the Federal Statistics Office in Wiesbaden.

Bank branches plan

The new European Bank for Reconstruction and Development (EBRD) will set up fully-fledged branches in each of the recipient countries in the Soviet Union and eastern Europe, Mr Jacques Attali, president-designate, said yesterday, Ian Davidson reports from Paris.

Loans would be considered in the autumn, but the bank could not make any until the statutes had been ratified.

The crisis that threatens to blow up between east and west

Most important issue for this week's Bush-Gorbachev summit meeting in Washington is not even on the agenda

THE ESSENTIAL point about the summit between President George Bush and President Mikhail Gorbachev is that the essential point is not on the agenda. Ostensibly, the meeting is supposed to decide whether the superpowers can cement the new era of detente and arms control, by agreeing deep cuts in long-range nuclear weapons in a Strategic Arms Reduction Treaty (Start). The unstated question is much larger, and it is this: are we facing the danger of a serious east-west crisis before the end of the year?

By now, everyone from Stockholm to San Francisco agrees that a Start treaty will not make an enormous difference to the stability of east-west deterrence. For one thing, both sides will still have overkill on a colossal scale; for another, nuclear arms control has ceased to be the only tradeable coin of east-west negotiation. As a result *of detente* and the end of the Cold War, there are much more profound things to talk about, such as the rearrangement of the map of Europe, and the *unification of Germany.*

As far as it goes, the logic is sound, or was until a few months ago. But now events have whirled on another worrying half-turn. At home, Mr Gorbachev is manifestly much weakened, despite all his vitality and inventiveness, and the early promises of perestroika are increasingly being dragged down. Abroad, the Soviet Government is digging in its heels over conventional disarmament in Europe and over German membership of Nato.

Some people have the courage to draw sanguine conclusions from the growing disarray inside the Soviet Union. Mr Gorbachev may be trying to resist the final shreds of a formal surrender of the Soviet empire in eastern Europe, they say, but in reality he has virtually no choice. The Cold War has been played out and the Soviet Union has lost. The danger of Soviet aggression abroad has now all but vanished and it is up to the west, as the winner, confidently to dictate terms to the loser.

The essential feature of this line of thought is its complacency; it recalls in mirror image the early days of the *Gorbachev era, when earnest* commentators asked rhetorically whether the west should "help" the Soviet leader. The question was doomed to remain rhetorical, because there was nothing the west could do to help, but it showed a high-minded liberality of spirit, and everyone felt better.

IAN DAVIDSON
ON EUROPE

Today, there is still nothing the west can do to help Mr Gorbachev where it matters, in rescuing the process of economic and political change from paralysis, anarchy or even civil war. But there are at least three differences between now and then. The first is that perestroika and the economy are in much worse shape, the second is that Mr Gorbachev no longer appears to be the eager and *adaptable* acolyte of detente, and the third is that right now the west badly needs a Soviet leader who is both strong at home and co-operative abroad.

What we are looking for in Europe is something which looks more like real peace than anything we have known for 45 years; and that means new relationships in Europe, in which most if not all peoples have reason to believe that their essential interests are catered for and safeguarded. In that sense our need of Mr Gorbachev is absolutely critical.

The West's most fundamental need at the moment is that the Soviet Union should acquiesce in the dismantling of its empire: the disintegration of the Warsaw Pact, the unification of Germany in Nato, and the withdrawal of all Soviet troops from eastern Europe. These things may be inevitable, but their outcomes will not be stable unless they are accepted, and negotiated, by the Soviet Union.

It used to be argued by, among others, Mrs Margaret Thatcher, that the West should endorse the principle of strategic stability in Europe, through the maintenance of the two opposing alliances, as a quid pro quo for the liberation of eastern Europe. Today the logic of the situation has subtly changed. The eastern alliance *has virtually ceased to exist.* But the transition to a united Germany will not take place in a predictable and stable constellation unless the Soviet Union formally agrees to it.

The questions of German membership of Nato, and of the stationing of Soviet troops in East Germany, are even more delicate. To adopt a tough, or even a patronising attitude towards the troubles of Mr Gorbachev, can only be counter-productive for our own interests, and at the limit dangerous. I have heard a senior western diplomat argue that the Russians must in their own interest withdraw all their troops from eastern Germany; otherwise they would risk being cut off, or even stoned by the local population. In *realpolitik*, he is right, of course; but being right is beside the point. We do not want to force the Soviet troops out of East Germany; we want the Russians to negotiate their removal, on terms which mean that they cannot return.

The same goes for the stationing of Soviet troops in the rest of eastern Europe, or even in the western military districts of the Soviet Union. We *do not want to have to rely on* Soviet self-interest: Soviet perceptions of their self-interest may change, especially if Mr Gorbachev is replaced by a Yeltsin or some other nationalist. What we want are negotiated restraints, enshrined in internationally verified agreements, which will provide the west with a reliable form of security to replace the confrontation of the Cold War.

At present the Russians are being difficult over German membership of Nato, and they are being difficult over the reduction of Conventional Forces in Europe (CFE) in the Vienna negotiations. In the case of Germany, it is possible for the west to tough it out, and for the three western powers to sign off their rights in Germany, with or without the consent of the Russians. In the case of the CFE, however, it is not possible to have a conventional force agreement without the Russians; and in that case there will be no year-end Helsinki summit to give its blessing to the new European dispensation. In both cases, we have terrific ingredients for a major east-west crisis, the first for more than five years.

EC watchdog shows enemies it can bite as well as bark

By Tim Dickson in Brussels

"We were carrying out a spot check at one European port last year when a huge container crashed to the ground just 8 feet from where we were standing," an official from the European Community's Court of Auditors recalled yesterday. "We assume, of course, that it was an accident."

Trying to unravel the complex system of export subsidies which allows Brussels to dispose of surplus agricultural products on world markets is *dangerous at the best of times.* But flak for the authors of a critical report on the way they have been managed and controlled was purely verbal yesterday as the European Commission, prime target of attack, rallied to its own defence.

For many EC observers this will be ample evidence that, not for the first time in recent years, the Luxembourg-based Court of Auditors, the EC's main financial watchdog, has hit home.

Once disdained by the Commission, its much improved and better presented reports now command respect if not admiration in Brussels, a point underlined yesterday when Mr Guy Legras, director general for agriculture, made a rare appearance before the press.

The 110-page report, the *product of two years' investigation*, highlights a large number of abuses of the so-called export refund system by market traders.

It draws attention to inadequate customs controls and facilities and lack of accountability inside the Commission, and it illustrates several instances of what the Court believes is questionable value for money.

The report's significance is all the greater because, as the authors point out, subsidised export of agricultural produce to countries outside the Community has replaced "intervention" buying and well-publicised accumulation of food mountains as the main instrument by which the Community maintains the equilibrium of its internal market.

These subsidies may take the form of an export "refund" – theoretically the difference between higher guaranteed EC prices and lower world market prices – or a low-price sale from the famous EC food stores, or a combination of the two.

The report does not try to quantify waste involved in a system which swallowed up Ecu7bn of EC funds in 1988 when 24.8m tonnes of cereals, 0.8m tonnes of beef, and 16.8m tonnes of milk and milk products were exported in this way.

The only clear figure cited is the Ecu57.5m cost of a special EC measure for shipping West German cereals to the Soviet Union last year, which forms the subject of a racily written prologue to the detailed text.

A general conclusion – *based on the experience of a* special scheme to dispose of surplus EC skimmed milk power in 1987 – is that the Community's budget risks being "used to finance the export of products which the home market could have absorbed."

The report states that the export refund system "has a tendency to increase the level of Community prices in some markets and is one factor, along with the low level of the dollar, which helps to depress world prices in others, for example beef meat."

The Court also queries the practice of attaching geographical conditions to export sales and claims that "in many cases" the Commission fails to document, monitor, and evaluate its decisions (raising seri*ous issues of accountability).*

It suggests that the tendering system is being abused by traders clearly co-operating across national frontiers to present identical "bids", and says that "the reliability and completeness" of Brussels' price information are uncertain.

The report lists a large number of ways in which member states could improve customs and monitoring controls, and cites many cases where quality and frequency of port checks left much to be desired.

Auditors of the court witnessed at Le Havre in France a problem with the weighing of three sacks of 25kg of skimmed milk powder. Scales at the customs control office weighed only up to 10kg, at the nearest control office they were out of *action and looked as though* they had been for many years, and in the next nearest the scales had no batteries.

It took almost an hour for this to ascertained. For good measure the container from which the sacks were taken was found to contain undeclared clocks and wine.

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EUROPEAN

Accord reached on US military bases in Greece

By Kerin Hope in Athens

GREECE AND the US yesterday initialled a new eight-year agreement for the continued operation of two of the four American military bases in Greece.

The accord covers an air force base at Gournes on Crete which carries out electronic surveillance, and naval support facilities for the US 6th Fleet at Souda Bay in the west of the island.

The two other bases, an air force support facility at Athens airport and a navy communications station at Nea Makri on the east coast of Attica, which have operated since the early 1950s, are to be shut under a Pentagon plan to close about 100 bases around the world.

The agreement, to be made public in two weeks' time, is understood to provide for transferring some communications activities from Nea Makri to Gournes. Surveillance flights operated from the Athens base are to be moved to Souda, where the facilities include use of a Greek Air Force runway as well as an anchorage, and fuel and munitions dumps.

The question of the amount of US military aid Greece will receive as a form of rent for the bases is expected to be covered in a separate document. The current figure is $350m a year in federal military credits.

The accord was concluded a few days before Mr Constantine Mitsotakis, the conservative Greek Prime Minister, leaves on a nine-day visit to the US, which will include a meeting with President George Bush.

Brussels seeks doubling of loans to Belgrade

By David Buchan in Brussels

THE European Commission yesterday proposed to nearly double soft loans to Yugoslavia over the next five years, as part of a closer relationship with the European Community that will depend on greater democracy in the Balkan country.

Mr Abel Matutes, the EC Commissioner responsible for Mediterranean countries, said he was asking EC governments to approve European Investment Bank (EIB) loans of Ecu900m ($1.1bn) to Belgrade for the five years starting mid-1991, compared with Ecu550m in the current five-year financial protocol. Some Ecu85m would also be set aside from the EC budget to pay a 2 per cent interest rate subsidy on the EIB loans.

In a formal communication to EC governments approved yesterday, the Commission also endorsed Yugoslavia's request to be treated like other east European countries in being included in the Brussels-coordinated aid programme for eastern Europe and in having its 1980 co-operation accord converted into a formal "association" agreement.

Schools subjected to a testing time

By Peter Bruce in Madrid

MR JAVIER SOLANA, Spain's even-tempered Education Minister, has had to draw on the last reserves of his patience while trying to pilot the country's first educational reform since the death of General Franco through a stone throwing, sneering, mob of objecting students, priests, teachers and politicians. Things are quieter now, with exams and holidays looming, but it has been a tough semester.

Nothing touches Spanish nerve ends quite like education because it is at the root of most of the subtle social pretension that permeates Spanish society. But the current system was drawn up in 1970 when General Franco was in power, and there is a consensus that it no longer provides the education Spanish children need to be able to compete in Europe.

"Spanish pupils learn everything by heart," says a disgruntled undergraduate. "At school we probably knew more dates and facts than anyone else. But we understand nothing."

Franco made education *obligatory* only for children between the ages of six to 14. After that, a child could (and, though few do, still can) opt out and work. Those who stayed had to choose between a general secondary education or technical training. At about 17, a secondary school pupil could enter a university orientation course before taking an entrance exam.

The Solana reform – designed, in truth, by his predecessor, Mr Jose Maria Maravall – is a dramatic effort to improve the intellectual quality of high school students. It raises obligatory education to the age of 16 and unites the general secondary and university orientation. It makes all secondary school pupils do technical subjects and starts foreign languages at age eight instead of 11. For the first time, it commits the state to providing pre-school classes for any three to six year-old whose parents want it.

The Catholic church has been quick to damn the reform, ostensibly because it makes no concession to religious training. But it probably fears that as the overall number of pupils in school falls along with a declining national birth rate, and state schools improve, church schools presently subsidised by the Government may no longer qualify for help. The conservative political opposition has similar fears about the future of private schools.

But the most vocal opponents of the reform are student groups. They insist that both the unpopular university entrance exam and the distinction between general and technical high school graduates should be dropped.

The distinction, says Mr Felipe Iglesias, president of the biggest student union, the Confederacion Estatal de Asociaciones de Estudiantes, leads to discrimination against technical pupils. "We need to make technical education more dignified," he says.

With Pta1trillion already set aside just to implement the reform between now and 1995, the Government may be persuaded to throw more money at technical education. That may not help the 8.3m scholars at school now but professionals like Ms Dolores Luca de Tena, who trains teachers in Madrid, says the reform, plus fewer students, should make it easier to provide better teaching.

The frustrations of the job, and the fact that there is almost no scope for promotion, has left teachers bitter. "Nobody really capable goes into teaching any more," she says. "Housewives do it for extra money."

Mr Solana is aware that the teachers hold the key to the success of the reform, and he has already invited the unions to suggest changes to the law. "Teachers are not ready for this reform," says Ms Luca de Tena, meaning they will be loathe to take on extra responsibilities without extra money.

This is the last article in the series. Two previous articles – on corruption in politics and tax evasion – appeared on May 18 and 24 respectively.

Spain had a $1.45bn current account deficit in April compared with $1.43bn the month before and $697m in April last year, according to the Bank of Spain, Reuter reports. The trade deficit widened to $2.35bn (from $1.96bn and $2bn).

INTERNATIONAL

Singh strips minister of Kashmir duties

By K.K. Sharma in New Delhi

THE Indian minister responsible for finding a political solution to the crisis in Jammu and Kashmir was yesterday stripped of his responsibilities by Mr V.P. Singh, the Prime Minister.

The move increases fears of an armed conflict between India and Pakistan.

Mr Singh took away from Mr George Fernandes, Minister of Railways, the responsibility of trying to find a political settlement with the militants. Mr Singh is under heavy political pressure to tighten the crackdown on the militants.

Mr Singh's decision was seen as a clear signal that the Government intended to continue its policy of suppressing by force the Moslem insurgency in Jammu and Kashmir.

Mr Fernandes was given the responsibility to start a dialogue with Kashmiri militants about two months ago when the Government appointed an all-party committee under him to seek a political solution.

Mr Fernandes then described the formation of the committee as "a way of working out a national consensus".

His attempts at dialogue with the militants were made when Mr Jagmohan, then governor of the state, had already alienated the Kashmiris with prolonged spells of curfew and house-to-house searches.

Serious differences developed between Mr Fernandes and Mr Jagmohan.

Mr Jagmohan was removed as governor late last week after Indian security forces killed more than 100 mourners when they fired on a procession taking the assassinated head priest of Kashmir, Mirwaiz Moulvi Farooq, for burial.

But the recall of Mr Jagmohan brought Mr Singh under severe attack from the Hindu fundamentalist Bharatiya Janata Party. Mr Singh needs the BJP's support in parliament to enable his minority government to survive.

He is also under pressure from many members of his own Janata Dal party to follow a consistent line on Kashmir. Mr Jagmohan's successor as governor of Kashmir is Mr Girish Saxena, a former police officer who once headed India's secret service.

Mr Saxena is expected to continue Mr Jagmohan's methods of handling the insurgency.

Bhutto under pressure to control Sind violence

THE death toll in four days of ethnic violence in southern Pakistan rose to 200 yesterday as Prime Minister Benazir Bhutto visited the town of Hyderabad, scene of some of the worst bloodletting, Reuter reports from Hyderabad.

Strict security was in force with troops patrolling the streets as Mrs Bhutto arrived in Hyderabad which has been largely peaceful since the weekend when about 100 people were killed. But the violence continued in Karachi, the capital of Sind province, with doctors reporting 24 people dead and 30 injured in the latest gun battles.

Mrs Bhutto is under increasing pressure to take some form of initiative to end the violence in the province which pits Mohajirs – Moslem migrants from India – against ethnic Sindhis.

The Prime Minister's Pakistan People's Party, which draws its main support from rural Sindhis, is virtually at war with the Mohajir National Movement (MQM) representing the migrants. Mrs Bhutto arrived in Hyderabad from Karachi where authorities cancelled a planned curfew break because of the renewed violence.

Police said they killed seven people after coming under fire from unidentified gunmen in western Karachi. Four people were also reported killed in a clash between police and the MQM in another part of the city. Thirteen deaths were reported in other areas and scores of people died in Hyderabad's poor Pucca Qila district on Sunday when police opened fire on processions of men, women and children defying a curfew. Many of the victims were Mohajirs.

Troops were called in to restore order and army chief General Mirza Aslam Beg was cheered when he visited Pucca Qila on Tuesday. Although Mohajirs dominate the populations of Karachi and Hyderabad, ethnic Sindhis control the provincial government and police.

Mrs Bhutto is under heavy pressure from opposition politicians to ask President Ghulam Ishaq Khan to dismiss the provincial government – controlled by her PPP – and impose direct rule on Sind from Islamabad.

She has told the provincial government to bring the violence under control quickly or she will impose direct rule, official sources said.

The sources said she blamed both the MQM and the Sindhi nationalist Jiye Sind movement for backing the gunmen and creating the latest upsurge of violence.

Opposition snubbed over Bofors affair

By K.K. Sharma in New Delhi

MEMBERS of the opposition Congress party clashed with Mr V.P. Singh, India's Prime Minister, yesterday when he refused to place before parliament all files relating to the Bofors deal on the sale of howitzers to the army in 1985.

The Government has filed charges of corruption and bribery against a number of people connected with the contract with the Swedish armaments group.

Congress members have been demanding the publication of all papers on the Bofors deal on the ground that the present government has hinted that politicians were also implicated in the case.

Mr Singh said that he could not place all the papers before parliament since the Swedish Government, which last week handed over the national audit bureau report on the Bofors deal to India, had objected to its publication.

Sweden has told India that the report contained highly sensitive information about its foreign trade and its publication could mean it would not co-operate with India on further investigations.

INTERNATIONAL NEWS

Israel foils beach assault by Palestinian guerrillas

By Hugh Carnegy in Nitzanim, Israel

ISRAELI security forces intercepted two heavily armed bands of Palestinian guerrillas yesterday as they attempted a sea-borne attack on Israel.

The Palestine Liberation Front, a faction of the Palestine Liberation Organisation, claimed responsibility for the attack. Four guerrillas were killed and 12 captured. No Israelis were hurt.

The PLF said the attack was in retaliation for the murder of seven Palestinian workers near Tel Aviv on May 20.

Israeli officials said the unusually large infiltration attempt, which came amid escalating tension in the Middle East, was timed to coincide with the Arab summit which ended in Baghdad yesterday.

"It is not surprising that while the Arab countries declare war on the Jews' right to immigrate to Israel, PLO terrorists try to assassinate Jews on Israeli soil," said Mr Moshe Arens, the Foreign Minister.

He called on the US to break off its dialogue with the PLO, opened by the Reagan Administration in late 1988 on the grounds that the PLO had renounced terrorism.

Lt Gen Dan Shomron, the Chief of Staff, implying that Israel had advance intelligence, said the attackers had set out from Benghazi in Libya three days previously aboard a "mother ship". It had launched six assault boats 120 miles off the Israeli coast, five of which were meant to attack in the Tel Aviv area.

He said only two reached the coast as the others broke down. Officials said they believed the mother ship had headed for Port Said in Egypt – a potential embarrassment for Cairo if true.

Troops killed four guerrillas and captured seven as they ran ashore in mid-morning from a khaki-coloured boat mounted with rockets at Nitzanim, a popular beach between Ashdod and Ashkelon which was filling up with Israelis celebrating a public holiday. The boat had already been spotted and was chased ashore by a navy patrol. Earlier, five guerrillas had been captured by the navy as they headed for the shore at Ga'ash, north of Tel Aviv.

Israeli troops guard the captured assault boat yesterday

Red faces as Japan's illegal workers flee

By Robert Thomson in Tokyo

THOUSANDS of foreign workers have crowded into immigration offices and rushed to airports fearing a change in Japan's immigration laws tomorrow will lead to imprisonment or heavy fines.

The workers, mostly from west Asia and south-east Asia, do not have valid work permits, and the Justice Ministry has attempted to force them to leave by publicising punitive clauses in the legislation.

However the panic has embarrassed the ministry as the new law contains no new penalties for illegal workers, although there are penalties for the Japanese executives who hire them.

A sensitive debate is under way in Japan over whether to use foreign workers to cover a chronic labour shortage. By government estimates, about 100,000 illegal workers have filled gaps in factories and in restaurant kitchens.

Japanese welfare agencies said the number of foreigners working illegally could be as high as 200,000, with most from the Philippines, Thailand, Bangladesh, Pakistan and China. The agencies claim that by distorting publicity about the new legislation, the Justice Ministry has terrorised foreigners into giving themselves up.

Narita International Airport, near Tokyo, has been besieged by west Asian workers wanting seats on fully booked flights, while thousands of people have rushed each day this week to immigration offices in Tokyo's business district in the hope of avoiding punishment.

Under the present legislation, illegal foreign workers can be fined up to Y300,000 (£1,160) or imprisoned for three years, though the penalties have virtually never been invoked, and offenders are simply deported. These punishments will not change under the new law.

However, Japanese employers who illegally hire foreigners arriving in the country from tomorrow will be liable to a fine of up to Y2m or a maximum three years' imprisonment. The Justice Ministry is only now admitting that it did not publicise an amnesty for employers who have already hired illegal workers.

Several Japanese industries, including shipbuilding, construction and motor parts companies, have asked the government to establish an orderly system for the hiring of foreign workers, but the Justice Ministry fears that a large influx of foreigners could destabilise Japanese society.

Rebel soldiers 'planning coup'

By Greg Hutchinson in Manila

PHILIPPINE Major-General Rodolfo Biazon warned yesterday that a group of right-wing rebel soldiers were planning to stage a coup next month coinciding with the series of mass protests to be held by students, workers and anti-bases activists.

Maj Gen Biazon, who is the acting Philippine armed forces chief of staff said the target date for the coup was mid-June, possibly June 12.

Maj Gen Biazon quickly gave assurances, however, that if this did happen, the Aquino government "will still prevail". The warning was issued following a series of bomb threats received by commercial establishments and increased terrorist attacks for which he blamed both rightwing and leftwing extremists.

Yesterday, it was reported over local radio stations that three buildings in Makati had received bomb threats. The Embassy of Japan in Manila and the Corinthian Plaza Building where the American Chamber of Commerce, Overseas Economic Co-operation Fund and several foreign banks are housed also confirmed having received bomb threats.

Mr Fidel Ramos, the Defence Secretary, was last week accused of planning to launch a coup against President Aquino, the rightwing Young Officers Union (YOU) said in a statement.

Mr Ramos denied the allegations at a press conference last week after testifying before a Senate hearing on military matters.

Mrs Corazon Aquino added her support for him by saying in her weekly press conference that she "continues to have full confidence in Ramos."

Meanwhile, the atmosphere in Manila remains calm.

Australian economy sees surprise revival of growth

By Kevin Brown in Sydney

THE spectre of recession in Australia receded yesterday, at least in the short term, following the publication of unexpectedly robust growth figures for the first quarter of the year.

The Bureau of Statistics surprised just about everyone by announcing that seasonally adjusted real gross domestic product (GDP) rose by 1.8 per cent – a dramatic turnround from a decline of 0.1 per cent (revised from 0.2 per cent) in the December quarter.

The figures mean that Australia has avoided a technical recession, defined as two successive quarters of decline. Seasonally adjusted, real GDP grew by 4.4 per cent in the year from March last year, up from 4.2 per cent in the year from December.

Almost every economic forecaster, including Mr Paul Keating, the Treasurer (finance minister) had predicted that high interest rates would lead to a decline in the March quarter.

Nevertheless, the announcement provided welcome relief for the Labor Government, which has been under strong pressure from the Liberal (conservative) opposition over its alleged mismanagement of the economy.

Mr John Dawkins, the acting Treasurer, said the figures showed the Government's high interest rates policy would curb the deficit on the current account of the balance of payments – expected to top A$20bn this year – without triggering a recession.

"We have to be cautious about whether we look at the quarter or six months or whatever," Mr Dawkins said. "But for those who were looking for the economy to go through the floor, these figures indicate that is not going to happen, that we are getting the responses that we wanted, and therefore there will not be a recession."

Market response to the announcement was mixed, partly because traders were waiting for figures to be published today for Australia's ballooning foreign debt – regarded as the main economic problem.

The Australian Stock Exchange all ordinaries index closed 4.6 points higher at 1499.5, just failing to finish above the psychologically important 1500 barrier in spite of trading above that level for most of the day.

"Basically, the GDP figure staggered everyone," one broker said. "Some sections of the market saw it as beneficial, but there were quite a few players who did not believe it."

This was also the reaction of many analysts. Mr Andre Morony, chief economist of Bankers Trust Australia, said most of the growth could be explained by an increase in government spending, which accounted for 0.9 percentage points of the rise.

Mr Morony said government spending was volatile and subject to large revisions. A further 0.3 per cent was caused by a statistical discrepancy caused by a difference between income and expenditure-based measures of GDP, and a further 0.5 per cent was caused by private non-farm stock accumulation which would probably be run down in future quarters.

The only undisputed bright spots in the detailed figures were a 5.7 per cent rise in export volumes, a strong increase in the profits of the mining sector, and indications that inflation may fall.

South Korean trade in deficit for fourth month

By John Ridding in Seoul

SOUTH KOREA recorded its fourth successive monthly balance of payments deficit in April, the Bank of Korea announced yesterday.

The deficit was $171m, raising the four-month total to $1.71bn. The last time South Korea recorded four consecutive deficits was in 1984.

In a separate announcement, the Economic Planning Board said the government's annual inflation target was likely to be raised from 5-7 per cent to 8-9 per cent and that a special supplementary budget may be cut from won 2.6 trillion ($3.66bn) to won 1.5 trillion in an attempt to cut inflation.

According to the central bank, April's deficit reflected weak export growth of 3.4 per cent, resulting from the effects of the depreciation of the Japanese yen against the won and from slowing demand in some of Korea's principal markets. Imports grew by 14.3 per cent.

Increased inflation has been caused by higher prices for farm products, higher than targeted growth in the money supply, and sharp increases in land prices and rents.

The balance of payments and inflation are both expected to improve over the next few months. The recent appreciation of the yen will improve the competitiveness of Korean products, and several sectors are already showing signs of recovery.

China conducts nuclear weapons test

CHINA has conducted its first nuclear weapons test in nearly two years, Swedish monitors said yesterday, AP reports.

Seismic signals picked up at the weekend indicated that a medium-sized bomb with a yield of 40 to 50 kilotons was detonated at the Lop Nur test site in Xingjiang Province.

Mr Nils-Olov Bergqvist of the Swedish Defence Research Establishment at Hagfors said that the Chinese explosion registered 5.8 on the Richter scale.

The last previous test was on September 29 1988 when China tested a low magnitude bomb of less than 10 kilotons, Mr Bergqvist said.

The Chinese have conducted only four tests since 1984, apparently restrained by the high cost of building and exploding a nuclear bomb.

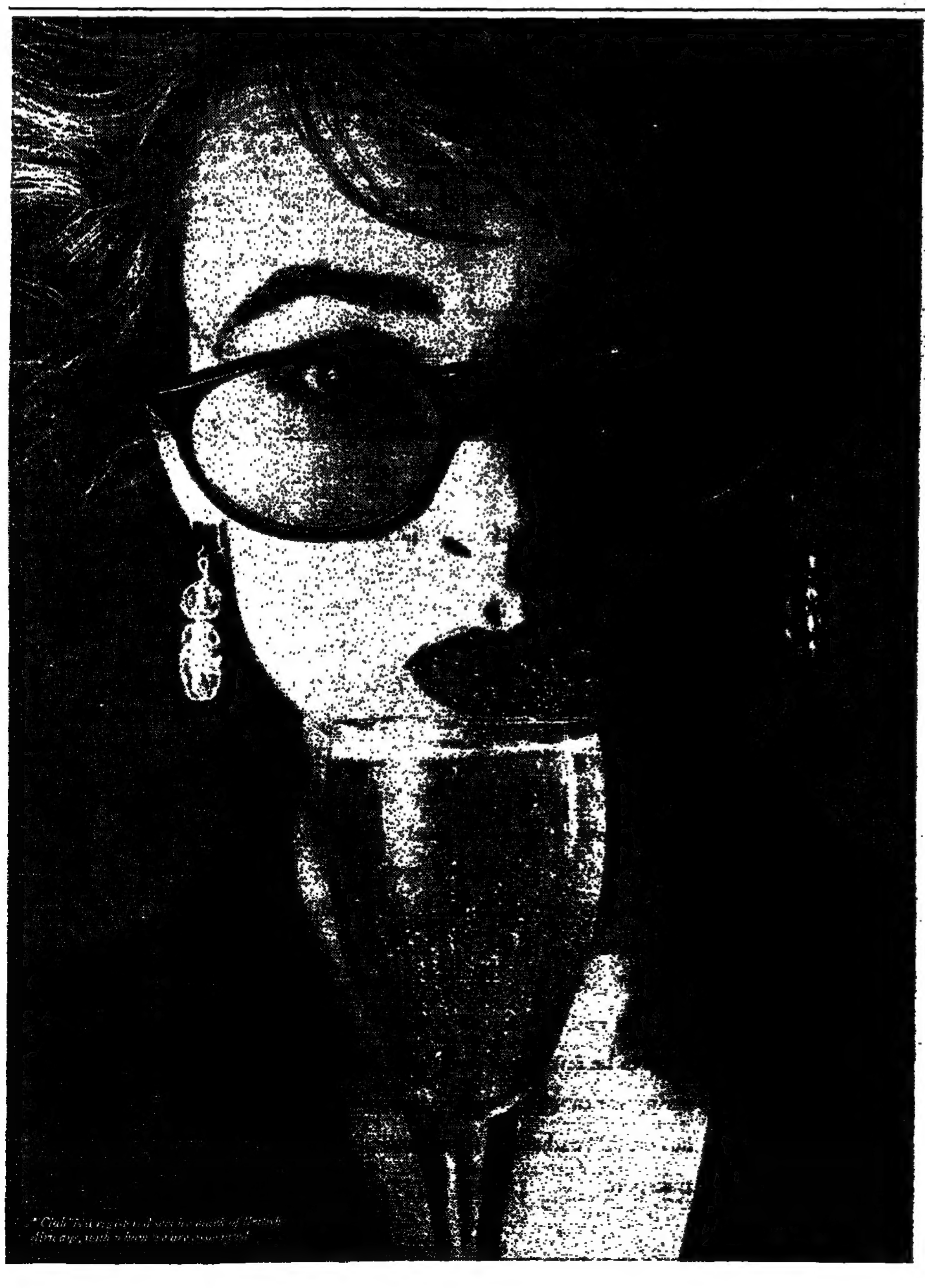
Ms Ragnar Ferm, of the Stockholm International Peace Research Institute, said: "I was expecting this (test) some time this year."

China is the only nuclear nation which makes no announcements about its tests, and little is known about its nuclear capabilities.

The 1988 explosion was probably a neutron bomb, said Ms Ferm. A neutron bomb causes less physical destruction but spreads higher radiation than other weapons.

Last year 27 tests were carried out around the world, about half the average for the 1980s.

China became the fifth member of the nuclear club when it set off its first atmospheric explosion in 1963, joining the US, the Soviet Union, France and Britain.



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OECD MEETING IN PARIS

US-EC positions harden on world farm reform

POSITIONS hardened yesterday in the dispute between the US and EC on world farm reform, amid fears that failure to progress at the OECD annual meeting in Paris would send a negative signal to the Uruguay Round of multilateral trade talks, Peter Montagnon reports from Paris.

There was "a lack of any evidence of them trying to resolve their different views. And I was disappointed that they seemed to be so adamant, and much of it is just semantic," Mr John Crosbie, Canada's Trade Minister, said. US officials insisted fundamental farm reform was essential to the round's success, but EC delegates said they could not negotiate unless the US withdrew its demand for an end to trade-distorting subsidies.

"The US made a serious mistake by seeking to negotiate here," Mr Frans Andriessen, EC Trade Commissioner, said. The EC was ready to talk on farm reform at the General Agreement on Tariffs and Trade in Geneva, but the OECD was the wrong forum to expect any change in positions. EC officials said they were not prepared to negotiate separately on the different areas of farm reform: export subsidies, import barriers and domestic support.

The three issues had to be treated as part of the same package despite US insistence to the contrary. Otherwise, the EC could find itself expected to cut its export subsidies, while the US would be able to continue making deficiency payments to its farmers under its domestic support programme.

But signs came yesterday of a split in the EC position as US pressure grew. Some trade ministers said they wanted to reach a compromise on farming for the sake of the overall package. Mr Renato Ruggiero, Italian Trade Minister, said the EC should agree to the US demand, if the US gave up insisting on total elimination of subsidies.

The disagreement has spilled into the separate area of negotiation on a legally-binding commitment by OECD countries not to discriminate against foreign companies operating in their territory. The EC regards as insufficient a US offer to use federal powers of persuasion to bind its state governments to such an instrument.

'Little sign of will to fight pricing problems'

HIGHER PRICES for farm products led to a decline in support for agriculture in the industrial world last year, but there is little sign of concerted policy measures needed to tackle fundamental market distortions, the OECD said yesterday, Peter Montagnon reports.

In a blunt warning to ministers attending its annual meeting in Paris, the OECD said overall support levels were still higher than in any year since 1985.

There was a lack of urgency in dealing with a market situation that was neither secure nor satisfactory, it said in its annual review of the markets.*

"Little progress has been made in relaxing measures affecting trade; there have been hardly any encouraging developments in reforming the systems of import barriers and export subsidies or in changing domestic policies that also have an effect on trade."

Measured in terms of its producer subsidy equivalent (PSE), support received by farmers in the OECD area fell to 39 per cent of the value of their output from 45 per cent in 1988.

In monetary terms, this represented a drop of $23bn (£13.6bn) to $141bn.

This was accompanied by a drop of $18bn to $104bn in the implicit support financed by consumers, the OECD said.

However, these support levels are still well above the average of the period 1979-85 and the rate of decline is expected to slow in 1990.

Last year's drop was due mainly to higher world prices, the stronger US dollar, and the one-off effect of drought relief in the US, it said. The impact of policy changes on the rate of support was "marginal".

The OECD warned that a cereals surplus could rapidly reappear in the OECD area, which would depress world prices.

The meat market could remain in "dynamic equilibrium", but the future outlook for the dairy sector was heavily dependent on continued firm supply management policies and, more generally, on reductions in support.

Farm support in the European Community fell to a PSE of 38 per cent last year from 48 per cent in 1988, it said. In monetary terms, it was worth $53bn.

But the drop was predominantly due to increased world prices. "Overall policy developments in 1989 have not involved a substantial movement in the direction of greater market orientation or reduced assistance.

"The changes in intervention prices and rules and other production aids varied from commodity to commodity, but were ambiguous overall in terms of their implications for producer prices and, thereby, for support levels and market orientation."

The US saw a drop in its rate of farm support from 35 per cent to 27 per cent, equivalent to $32bn, but the mechanisms which insulate US farmers from market signals "have not been altered, and market orientation has not significantly improved".

The decline over the past two years in the use of the so-called Export Enhancement Programme which is used to subsidise farm exports reflects a short-term response to the market and stock situation, the OECD said, but reduced funding in 1990 might constrain the programme.

Only in Australia and New Zealand did the rate of support paid to farmers not exceed 10 per cent last year. In Switzerland, Norway, Japan and Finland, it exceeded 70 per cent.

In Japan, the pace of decline slowed as the government largely halted the reduction in support prices it had instituted in 1987 and 1988.

**Agricultural Policies Market and Trade: Monitoring and Outlook 1990. OECD, 2 Rue André-Pascal, 75775 Paris Cedex 16. FFr170*

West 'must alter work policies'

WESTERN industrial countries must adopt a new policy to labour markets if they are to overcome the risk of skill shortages co-existing with long-term unemployment and exclusion of marginal groups from society, the OECD said, Peter Norman reports from Paris.

In a report* on labour market policies for the 1990s, the OECD said they should be geared to strengthening the quantity and quality of labour supply and improving labour market efficiency. Policies that only remedied income loss and other social consequences of unemployment were no longer sufficient. "Active" measures encouraging job-search, and stimulating training and work motivation, needed to be stressed.

The right policies could help the 1990s be a time of sustained growth and employment. New technologies were likely to generate new opportunities, new forms of work organisation and more varied combinations of work and leisure. Internationalisation of the world economy and the shift of east European countries to a market base should foster growth.

**Labour Market Policies for the 1990s, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16 and HMSO. FFr110.*

Bonn urges trade partners to invest in East Germany

By Peter Norman

WEST GERMANY yesterday urged its OECD trading partners to invest in East Germany after the economic and monetary union of the two Germanys takes effect on July 2.

Mr Helmut Haussmann, West German Economics Minister, said East Germany in the 1990s would have one of the world's highest growth rates. Many of West Germany's trading partners seemed not to realise East Germany would be an open market economy from July 2. The idea East Germany would remain somewhere between socialism and capitalism was "completely wrong".

East Germany had a large pent-up demand for consumer goods and consumer durables such as cars and video machines. Together, East and West Germany would be the world's biggest importer of manufactured goods and would vie with the US for the position of biggest importer overall.

The two Germanys would also be the Soviet Union's biggest trading partner. West Germany wanted to maintain East Germany's trading links with Moscow, in part to protect East German jobs in the difficult transition period from a command economy to a market economy.

Mr Haussmann, who recently visited Moscow, rejected suggestions that the Soviet Union was suffering serious payment and debt problems.

The delays in its payments to foreign suppliers reflected technical difficulties following the decentralisation of responsibility for trade finance from the Soviet foreign trade bank. The Soviet Union's debt in relation to its gold reserves, Gross National Product or raw material wealth had not changed significantly.

The minister said the West should support President Mikhail Gorbachev in his efforts to reform the Soviet economy and political system.

He suggested that measures could be discussed in this week's meetings between Mr Gorbachev and President George Bush and at the Group of Seven economic summit in Houston in July.

The Soviet Union was too large to be assisted in the same way as the smaller countries of eastern Europe, he warned. But Mr Gorbachev and the Soviet economy could be helped psychologically if they were given a combination of technical aid and financial assistance.

● David Goodhart adds: Bonn is providing generous investment incentives for both domestic and foreign investors in East Germany after currency union on July 2. The investment allowance will stand at 12 per cent for at least two years, then falling to 8 per cent. It is expected to cost the Government about DM5.5bn (£1.95bn) in the first two years.

Drug money laundering laws to be tightened

PLANS to boost international co-operation and toughen laws against drug money laundering were agreed by 15 of the world's top industrial nations yesterday, William Dawkins reports from Paris.

Their Finance Ministers, meeting before the OECD Ministerial session in Paris, signed a 40-point action plan representing the toughest attempt to date to curb the drug trade, which makes an estimated $122bn (£72.18bn) a year from heroin, cocaine and cannabis in the US and Western Europe alone.

Of that, some $85bn is unwittingly laundered through financial institutions. A report, published last month, is the first product of an international task force against drug money laundering, known as Gafi, initiated by the Group of Seven at their Paris economic summit last summer and later joined by Switzerland, Luxembourg, Sweden, Austria, Australia, Belgium, the Netherlands and Spain.

Yesterday's pact means the 15 undertake to ratify the 1988 Vienna convention, obliging them to make drug money laundering illegal, confiscate profits from narcotics, and open ways for international action.

Bank secrecy laws will be changed to allow banks to warn the authorities of suspicious transactions without the risk of being sued for breach of confidence. This includes strongholds of bank secrecy like Luxembourg and Switzerland.

The UK made such a change three years ago and Paris proposed such a law this month. The 15 are also called on to improve co-operation in tracking down, prosecuting and extraditing money-launderers.

France, as president of the drugs group, has sent the report to Ireland, Greece and Portugal, the three EC countries yet to join, as well as to OECD members which have not signed. The group agreed to to send representatives next week to a drugs conference of 27 Latin American and Caribbean countries, which may also sign.

Call to restructure western economies

THE 24 industrialised member nations of the Organisation for Economic Co-operation and Development must take "further political initiatives" to improve the structures of their economies, the grouping said yesterday, Peter Norman reports.

In a report, the OECD said only limited progress towards market-oriented reforms had been made in trade, agriculture and industrial subsidies.

Many rigidities remained in areas such as labour markets. While a broad range of issues concerning the scope of the public sector has been brought to the forefront of political discussion in member states, much remained to be done in terms of analysis and implementation.

The OECD urged governments to strengthen competition policy and pointed out the need for more deregulation of air transport and telecommunications at an international level.

But governments should focus on international trade and agricultural policies in the context of the current Uruguay Round of trade liberalisation talks, industrial subsidies and competition policies.

Particular attention should be paid to the close interaction of these policies in ways that often lead to discriminatory protection, the OECD warned.

Such forms of protection "could create large rents for foreign and domestic suppliers at the expense of others and may encourage cartel-like behaviour by domestic producers".

The OECD noted that trade was an important source of economic growth. But the multilateral trading system continued to be under strain.

The system was threatened by increased use of anti-dumping actions in the US and the EC, and widespread use of specific and discriminatory non-tariff barriers.

"It is a worrying aspect of the present situation that measures which force trade into bilaterally regulated channels are widespread, chronic and increasingly taken for granted.

"Managed trade is viewed by many governments as here to stay, despite their repeated commitments to the multilateral trading system."

The report noted concern that the emergence of "trading blocs" in both Europe and North America could hurt nations outside these groups.

Little basis for such worries existed at present, but much would depend on how trade policies evolved in both regions, and on the nature of the EC-wide curbs due to replace national restrictions from 1992 on.

On agriculture, the report said little progress had been made towards reforming policies.

In industrial policy, the OECD noted a shift in emphasis from support for declining industries such as steel, shipbuilding and textiles, to promotion of new industries such as micro-electronics and so-called "horizontal" support for activities such as research and development, regional development, and small and medium companies.

But it was unimpressed by the results. "Industrial policies continue to represent a significant drain on government finances while there is little evidence they have yielded the intended efficiency and welfare gains."

More thought should be given to the border line between public and private sector activities. Social spending should be subject to routine analysis to assess the effects of government interventions on private incentive structures.

Potential for "market testing" of government activities remained under-utilised.

There was "ample scope" for improving public procurement practices, especially by allowing foreign suppliers to compete on equal terms.

Tough ruling by US futures body annoys industry

By Barbara Durr in Chicago

A TOUGH ruling by the Commodities Futures Trading Commission is causing heated controversy within the industry. The CFTC last week ejected Mr Brian Monieson, a former chairman of the Chicago Mercantile Exchange (CME), and his company, GNP Commodities, from the futures industry and fined both $500,000.

Mr Monieson and GNP were in effect charged with not properly overseeing the alleged cheating of futures clients by two brokers. The two were found guilty of using blank trading cards and then shifting the winning trades to their accounts and the losers to customer accounts. Both men, who left GNP four years ago, were fined $75,000 and expelled from the industry.

Mr Robert Wilmouth, president of the National Futures Association in Chicago, said the judgment against Mr Monieson seemed "unusually harsh". Another industry expert said that while the CFTC may have "to prove itself as a tough regulator, this may not be the right case".

The decision is viewed as politically tinted because it comes as the CFTC is under fire in Washington as a lax regulator and is engaged in a power struggle with the Securities and Exchange Commission (SEC). Congressional action could come as early as next week on the Bush administration's proposal to shift control of stock index futures from the CFTC to the SEC.

The CFTC's ruling also puts a serious dent in the futures exchanges' efforts to continue to be largely self-regulated. The industry is annoyed because Mr Monieson and his company are being held responsible for the activities of two of GNP's brokers. If the ruling is upheld on appeal, Mr Wilmouth suggests that futures companies could have a great deal of difficulty "being responsible for all of the activities of all the people down the line".

Judge George Painter accused Mr Monieson and GNP of being "callously indifferent to the wrongs done to their most vulnerable customers".

Lawyers for Mr Monieson, who was never charged personally with fraud, and GNP, are preparing an appeal, which could drag on for as much as another 18 months.

Other futures industry companies are expected to file briefs in support of Mr Monieson, who served as CME chairman from 1983-85 and is well respected. Top political and industry figures, including Mr Clayton Yeutter, the US Secretary of Agriculture, testified as character witnesses for Mr Monieson last year.

Meanwhile, the CME sought this week to reassure its members that the tarnished GNP Commodities, a member of the CME Clearing House, is still legitimately in business.

The judge's ruling does not take effect until the appeal process is concluded.

The CME similarly moved last week to fine GNP $100,000 for failing to supervise several of its employees and directed the company to reimburse $300,000 to customers who had been wronged.

Indicators point to US slowdown

By Peter Riddell, US Editor, in Washington

THE US Commerce Department's index of leading indicators, which looks to changes in activity six to nine months' ahead, fell by 0.2 per cent in April, following an increase of 1 per cent in March and a 1 per cent drop in February.

The April figure points to continued sluggish activity in the US economy.

Over the past six months the index has risen by 0.3 per cent after a decline of 0.1 per cent in the previous half-year.

All this ties in with the evidence of a slowdown of activity during the winter and at best slow growth during the spring and summer. Recent statistics have been contradictory with a fall in orders of durables and weak car sales but a continued steady rise in personal consumption, up 0.6 per cent in April after a 0.5 per cent increase in March.

Seven of the 11 indicators comprising the index contributed to April's decline. The largest negative influence was building permits.

The composite index of coincident indicators declined by 0.2 per cent in April after increasing by 1 and 0.3 per cent in the previous two months.

Canadian talks give hint of early CFE deal

By Robert Mauthner and Bernard Simon in Ottawa

THE SOVIET Union has agreed to try to bring the conventional forces in Europe negotiations (CFE) in Vienna to an early conclusion, during talks in Ottawa between Soviet and Canadian leaders.

At a three-and-a-half hour meeting between Mr Joe Clark, the Canadian External Affairs Minister, and Mr Eduard Shevardnadze, his Soviet opposite number, on Tuesday, Mr Shevardnadze was reported by Canadian officials to be very "upbeat" about the Vienna talks, which had been stagnating over the past few months.

The meeting took place in the margin of an official two-day visit to Canada by Mr Mikhail Gorbachev, the Soviet President, which ended yesterday with a lunch in his honour given by Mr Brian Mulroney, the Canadian Prime Minister. The Ottawa talks are widely considered to provide a good clue to the position which Mr Gorbachev will adopt in his summit meeting with President George Bush, which starts in Washington today.

Mr Shevardnadze's positive attitude towards the CFE talks contrasted with his continuing rejection of the West's demand that a united Germany should remain a member of Nato.

Moreover, he continued to link by implication progress on arms control with a satisfactory solution of the German problem. Mr Shevardnadze stressed that the fundamental changes in eastern Europe had not, so far, been matched by a modification of Nato's policies and doctrine, thus upsetting the post-Second World War balance in Europe. "What Mr Shevardnadze was basically saying was that Moscow was waiting to see what changes would take place in Nato before finally committing the Soviet Union on Germany's future security relationship," a senior Canadian official said.

President Gorbachev will meet the South Korean President, Mr Roh Tae Woo, in San Francisco after his US talks, officials said, AP reports from Washington.

The two countries have no formal diplomatic relations and the Soviet Union maintains strong ties with communist North Korea. The Roh-Gorbachev talks will probably be on Monday.

Mr Clark went out of his way to reassure Mr Shevardnadze that the West had every intention of turning Nato into "a kinder and gentler" organisation, with an enhanced political, rather than military role.

The Soviet Foreign Minister reiterated Moscow's demands for a transitional period after German unification.

Though he did not, apparently, specify what arrangement Moscow was looking for, the Soviet Union had previously suggested a temporary continuation of the legal responsibilities for Germany of the four wartime allies

Mr Shevardnadze stressed that German membership of Nato was not the only option available.

Germany could be a member of both Nato and the Warsaw Pact or it could be independent of both.

Other options, such as German membership of Nato without participation in its integrated military command, on the French model, had also been examined. Even Soviet membership of Nato had not been ruled out by Moscow.

US steel makers say clean-air legislation will damage them

LEADERS of the US steel industry yesterday criticised proposed clean-air legislation currently before Congress, saying it might seriously undermine the industry's international competitiveness, leading to a further contraction and job losses, Martin Dickson writes from New York.

Two forms of the bill are under consideration and both would impose much tighter controls on the emission of gases from the steel industry's coke ovens. Mr Thomas Graham, president of USS, the nation's biggest steel maker, said at the annual meeting of the American Iron and Steel Institute, the industry's umbrella body, that the environment had replaced trade as the sector's main policy issue.

The industry accepted that whatever clean-air bill became law would require huge expenditure - as much as $5bn to make coke batteries alone comply with the legislation.

Brazil opts for a monetary clampdown

By John Barham in São Paulo

BRAZIL's central bank began imposing a vigorous monetary clampdown yesterday.

The monetary expansion targets assume an annual inflation rate of 5 per cent and zero economic growth. The tough monetary policy is to be used as a trump card in forthcoming negotiations with the International Monetary Fund.

The bank plans to hold growth of M1, the narrow definition of money, down to 9.1 per cent in the second half. Monetary expansion is to be zero in the first quarter of 1991. In the first half, M1 grew 1,053 per cent.

It intends to resume execution of an orthodox monetary policy by imposing stricter discipline on financial institutions. Yesterday it abandoned a decade-old policy of accepting to buy back government paper which dealers could not sell to the market.

Professor Carlos Longo of São Paulo University, said that "before, government paper offered no risk of capital loss or gain, so it was never possible to contract the money supply". Previous administrations offered zero risk and total liquidity for their paper to avoid paying higher interest rates.

Since financial markets are still far from convinced that inflation has been fully controlled, they will fight for substantially higher interest rates at the central bank.

Honeywell and Soviets to work on plane navigation

By Paul Betts, Aerospace Correspondent

HONEYWELL, the US electronics group, and Northwest Airlines have reached an agreement with the Soviet Union to develop a new satellite navigation system for aircraft.

The new system will link the Soviet global navigation satellite system, Glonass, with the US Navstar Global Positioning System (GPS) for the first time.

Under the agreement announced yesterday, Northwest Airlines will test fly the Soviet Glonass system on board a Boeing 747 cargo aircraft already equipped with the American GPS system. Honeywell will also become the first US company to develop Glonass for commercial aviation.

These satellite navigation systems provide very accurate position reports under all weather conditions including in areas where no ground-based navigation aids exist.

The International Civil Aviation Organisation has backed satellite navigation as a key element of its future air navigation system policy.

However, it has been unable to choose between the US and Soviet systems for political reasons.

Mr. Alfred Checchi, the Northwest Airlines chairman, said: "Combining Glonass with the positioning system of the US will give position data of such pinpoint accuracy that safety will be enhanced, capacity restraints will be lessened and a worldwide standard of navigation can be developed." The Soviets are expected to deliver the software and antenna kits later this year for mounting on Northwest Airlines 747.

The light hand on Harvard's tiller ends his watch

Lionel Barber reviews the career of Derek Bok, who restored calm to the campus and cash to the bank

MR DEREK Bok is to step down as president of Harvard University next year, ending a 20-year tenure in which he restored calm to the campus after the Vietnam War demonstrations and led a sustained revival in the university's fortunes.

A former dean of Harvard Law School, with a low-key lawyerly manner, Mr Bok, 60, was a popular figure who ruled the university's many academic fiefdoms with a light hand.

"No one in the computer age was so addicted to the pen," said Professor John Kenneth Galbraith, a Harvard Professor Emeritus in economics, who declared that Mr Bok was "a model for all college presidents in his amiable response to intrusive and even obnoxious professors".

Mr Bok notched up many notable achievements during his 20 years at the top of America's oldest and perhaps most prestigious institution of higher learning. He presided over the creation of the John F. Kennedy School of Government; the development of a new core curriculum for undergraduates, and the effective merger with Radcliffe.

He also was involved in the establishment of the Harvard Management Company, the financial power house which helped the university's endowment grow from $1bn when he took over as president to $5bn today.

The timing of his resignation appears to have been motivated partly by the planned start of a $2bn new fund-raising campaign, as well as the unexpected departure of Mr Michael Spence, dean of the faculty, to Stanford University.

Mr Henry Rosovsky, a popular former dean whom Mr Bok named as acting dean next year, has been considered as a possible candidate to succeed Mr Bok as president, but he said this week that he considers himself too old for the job.

As Harvard's 25th president, Mr Bok was the second non-Harvard College graduate to run the university, which was founded in 1636. He said this week he had "very few disappointments" about his tenure, and cited with satisfaction his emphasis on introducing ethics throughout the curriculum and on training public servants.

The Republican Bush Administration has certainly benefited from the John F. Kennedy School, despite its location in liberal Boston.

Top officials who have taught at the school include Mr Richard Darman, the Budget Director; Mr Richard Haas, special White House adviser on Middle East policy; Mr Robert Blackwill, the key National Security Council official dealing with Germany and the Soviet Union; and Mr Roger Porter, chief domestic policy adviser to the President.

Most observers would credit Mr Bok with restoring stability to the university which, like many others in the late 1960s, was shaken by the anti-Vietnam War demonstrations.

Lately, however, there have been renewed rumblings over the failure to hire more minority faculty members. These came to a climax recently at Harvard Law School, where Professor Derrick Bell has taken leave to protest the lack of a tenured black woman.

Mr Bok's successor must be nominated by a seven-member governing corporation and approved by the board of overseers. A search committee will be set up shortly.

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1	301	590	887	1163	1482	1766	2040	2333	2624	2920	3260	3542	3835	4110	4394	4688	4983	5262	5558	5843	6141	6429	6737	7016	7322	7623	7906	8186	8487	8774	9065	9341	9637	9912	10218	10523	10804	11093	11404	11677	11982
3	303	592	889	1164	1483	1767	2041	2335	2629	2921	3262	3544	3836	4111	4396	4689	4984	5263	5559	5844	6142	6431	6738	7018	7323	7624	7910	8189	8488	8776	9066	9342	9638	9913	10219	10526	10805	11095	11405	11698	[illegible]
4	304	593	891	1165	1484	1770	2042	2336	2630	2922	3264	3545	3840	4112	4397	4690	4986	5264	5560	5846	6144	6433	6741	7019	7324	7625	7912	8200	8491	8777	9068	9344	9640	9914	10221	10529	10806	11100	11406	11699	[illegible]
5	306	594	892	1166	1485	1771	2043	2338	2632	2923	3265	3546	3842	4117	4398	4693	4988	5265	5562	5847	6145	6438	6742	7021	7325	7626	7913	8201	8492	8778	9070	9346	9641	9915	10223	10530	10807	11102	11407	11700	[illegible]
6	307	595	893	1168	1486	1772	2044	2340	2633	2925	3266	3547	3843	4119	4401	4694	4989	5268	5563	5848	6146	6439	6744	7022	7326	7627	7915	8202	8494	8779	9071	9348	9643	9916	10224	10531	10808	11103	11408	11701	[illegible]
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13	310	598	897	1173	1491	1776	2048	2345	2639	2931	3270	3550	3846	4123	4406	4700	4992	5272	5567	5853	6152	6443	6749	7027	7330	7631	7919	8208	8497	8783	9076	9352	9646	9921	10228	10534	10814	11108	11415	11707	[illegible]
14	311	602	898	1174	1493	1777	2049	2347	2640	2932	3274	3552	3847	4124	4407	4701	4993	5273	5570	5855	6153	6444	6750	7028	7331	7633	7921	8210	8498	8784	9078	9354	9647	9923	10229	10535	10816	11110	11416	11709	[illegible]
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16	313	604	900	1179	1495	1779	2057	2349	2644	2941	3278	3555	3850	4126	4409	4703	4996	5276	5574	5859	6155	6447	6752	7033	7336	7639	7927	8213	8500	8786	9083	9358	9652	9927	10231	10541	10818	11114	11420	11714	12008
18	315	605	901	1180	1496	1782	2058	2350	2647	2944	3279	3556	3853	4128	4415	4705	4997	5278	5575	5861	6156	6448	6754	7034	7337	7642	7928	8214	8502	8787	9084	9359	9653	9928	10232	10542	10820	11115	11421	11715	12013
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20	318	608	904	1188	1498	1785	2063	2352	2653	2946	3282	3560	3858	4133	4421	4709	5000	5280	5577	5866	6160	6450	6757	7040	7340	7645	7930	8219	8504	8789	9087	9362	9657	9930	10236	10544	10822	11118	11424	11717	[illegible]
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23	321	610	906	1190	1503	1788	2066	2354	2655	2948	3287	3563	3863	4136	4423	4712	5003	5285	5579	5868	6163	6452	6759	7047	7342	7650	7933	8221	8507	8791	9091	9365	9663	9932	10240	10547	10826	11120	11427	11722	12018
25	324	611	907	1191	1506	1789	2067	2355	2656	2950	3288	3568	3864	4137	4424	4713	5006	5289	5580	5869	6164	6453	6761	7048	7343	7651	7934	8222	8508	8792	9092	9366	9667	9934	10242	10548	10829	11121	11428	11723	[illegible]
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34	329	615	909	1194	1508	1793	2071	2357	2658	2954	3290	3570	3866	4139	4426	4715	5009	5293	5582	5871	6167	6455	6765	7050	7345	7654	7936	8225	8510	8794	9095	9369	9670	9936	10244	10550	10831	11125	11430	11728	12027
35	330	616	910	1198	1509	1795	2072	2358	2659	2956	3291	3571	3867	4140	4428	4716	5010	5295	5583	5872	6168	6457	6766	7051	7346	7655	7937	8226	8512	8797	9096	9372	9671	9938	10245	10551	10832	11126	11432	11729	12028
37	331	617	912	1199	1510	1796	2073	2359	2661	2958	3293	3573	3868	4141	4429	4719	5011	5296	5584	5873	6170	6460	6768	7053	7347	7656	7939	8227	8513	8798	9099	9373	9673	9940	10248	10552	10833	11127	11433	11730	[illegible]
39	332	619	915	1201	1511	1800	2074	2360	2662	2959	3294	3574	3870	4142	4430	4720	5012	5299	5585	5874	6171	6461	6769	7056	7348	7657	7942	8229	8515	8799	9101	9374	9674	9941	10249	10553	10834	11130	11434	11731	[illegible]
41	335	620	916	1202	1512	1801	2075	2361	2664	2960	3296	3575	3872	4143	4433	4721	5013	5300	5587	5875	6172	6463	6770	7059	7349	7660	7943	8230	8516	8800	9106	9375	9676	9942	10250	10555	10836	11132	11435	11733	[illegible]

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12294	12585	12881	13200	13504	13788	14095	14418	14706
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12573	12861	13176	13483	13762	14071	14394	14685	[illegible]
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12575	12863	13179	13485	13766	14075	14396	14689	14987
12578	12864	13180	13486	13767	14076	14398	14690	14988
12580	12865	13181	13487	13769	14077	14399	14691	14989
12581	12866	13183	13489	13770	14078	14400	14692	14990
12582	12867	13184	13490	13772	14079	14401	14693	14992
12583	12868	13187	13491	13774	14081	14403	14694	14993
12585	12869	13188	13493	13775	14082	14404	14695	14994
12586	12870	13189	13494	13777	14085	14405	14696	14995
12587	12871	13190	13497	13779	14087	14406	14697	14997
12588	12872	13191	13498	13781	14089	14407	14698	14998
12590	12873	13193	13499	13782	14090	14408	14699	14999
12591	12875	13194	13501	13783	14091	14410	14700	15000
12593	12879	13195	13502	13785	14092	14412	14702	
12594	12880	13196	13503	13786	14094	14413	14703	

Repayment of principal will be made upon presentation and surrender of the Bonds, with all unmatured coupons attached, at the offices of the Paying Agents; (1) Bankers Trust Company, 1 Appold Street, Broadgate, London EC2A 2HE, (2) Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002, Basle, (3) Banque Internationale à Luxembourg S.A., 69 Route d'Esch, L-1470 Luxembourg and (4) Bankers Trust Company Corporate Trust & Agency Group, Four Albany Street, New York, NY 10015 (repayment of principal only).

Accrued Interest due 30th June, 1990, (the "Redemption Date"), will be paid in the normal manner against presentation of Coupon No. 4 on the payment date, being 2nd July, 1990.

Bankers Trust Company, London — Agent Bank

31st May, 1990

AMERICAN NEWS

Hurricanes strike at Caribbean economy

Canute James highlights a development bank review of progress in the region

CARIBBEAN economies, still suffering the lingering effects of the international recession of the 1980s, and affected by hurricanes, were sluggish last year, and are not expected to do better this year, according to a Caribbean Development Bank review.

The bank, based in Barbados, said that of its 17 borrowing member countries, only the Bahamas, Barbados, Jamaica and St Lucia recorded higher growth rates last year than in 1988. "Consistent with the trends in recent years, output declined in Guyana and Trinidad and Tobago," the bank reported. "However...the latter country showed signs of improvement."

Looking at the region's prospects for this year the CDB said that several countries, particularly those affected by hurricanes in the past two years, will be forced to continue rehabilitating their traditional sectors and basic infrastructure. The region was recently hit by two storms. The first, in 1988, directly hit Jamaica and caused extensive damage to the economy. Last September another hurricane ploughed through several islands in the north eastern Caribbean. "There is considerable uncertainty about the recovery of export prices which will largely depend on the strength of sterling against the US dollar and on the market for commodities such as oil and aluminium," the bank reported.

The economies which showed most resilience last year were those which were subject to strict monetary and fiscal management, the bank said. It noted that some countries, mainly Guyana, Jamaica and Trinidad and Tobago, implemented economic adjustment programmes which involved currency devaluations, restructuring of the public sector and efforts to obtain debt relief.

Another factor which influenced the performance of some economies, it reported, was the progressive dismantling of trade restrictions, following efforts by the Caribbean Economic Community to increase the level of trade among members. The Community consists of 12 countries in the region, and trade among them grew in value by 20 per cent last year.

'The economies which showed most resilience last year were those which were subject to strict monetary and fiscal management. Dismantling of trade restrictions also influenced the performance of some economies.'

The condition of most of the region's economies last year would have been worse had it not been for an improvement in tourism, the CDB concluded. It said there was an overall increase in visitor arrivals against 1988 levels, with sharp increases in the number of tourists from Europe and Japan. But the region recorded only marginal increases from the US and Canada, its traditional markets, "...generally indicative of...the continued loss of market share in North America by the Caribbean to competing destinations."

Although banana shipments from Jamaica reached the highest level for the decade, and exports from Belize and Grenada also improved, production of export fruit declined last year by 6 per cent.

The bank said earnings from exports were affected adversely by weaker prices "because the UK market was flooded with bananas from the African-Caribbean-Pacific countries during the first half of the year, and also because of depreciation of sterling against the dollar for a significant part of the year." Last year's hurricane, weak prices and frequent strikes contributed to a decline in sugar production by the bank's borrowing members. It said that for a second year, Guyana had to import sugar to met domestic demand while trying to fulfil its quotas to the EC and the US.

There was, however, better performance last year by the bauxite industry, based in Jamaica and Guyana. Ore output grew by 30 per cent to just over eleven million tonnes, aided in Jamaica by the reopening of a refinery and higher international demand. The CDB said that although output in Guyana had improved by eight per cent, output was below target because of strikes and heavy rainfall.

The oil industry in Trinidad and Tobago, the basis of the country's economy, recovered slightly last year because of a harder international market and production incentives given by the Government. There was mixed performance in manufacturing, while rebuilding following the hurricane lifted the construction sector. This contributed to a slowdown in residential construction.

"Several countries responded to pressure on the balance of payments by implementing measures to halt the decline in foreign reserves," the bank said. "In many cases, the weak payments position was symptomatic of declines in export volume and prices, the accumulation of arrears on external debt and reduced aid flows. The policy responses included devaluation, credit restrictions and interest rate adjustments to improve export competitiveness and to direct resources away from consumption towards production."

The medium-term outlook from the group of countries, the bank concluded, could be brightened if several measures were implemented this year. These include continued rehabilitation of areas damaged by last year's hurricane; making use of opportunities for non-traditional exports; intensification of tourism promotion; efforts to reduce fiscal deficits; protecting balance of payments; and the continuing dismantling of barriers to trade within the Caribbean Economic Community.

Chilean telephone workers vote to go on strike

By Lesley Crawford in Santiago

TELEFONICA of Spain faces the prospect of a damaging indefinite strike in Chile unless it comes up with a last minute offer to appease the unions.

This comes less than two months after it bought a controlling stake in Compania de Telefonos de Chile (CTC), the national telephone company.

A majority of CTC's 7,300 employees voted to go on strike today after the collapse of collective negotiations on a two-year pay agreement.

It is the first stoppage to affect CTC in 30 years, but the strike's repercussions will be felt far beyond the telecommunications industry. This is the first dispute to affect a major Chilean company since the new civilian government took office in March, and if a settlement is reached, it is likely to form the benchmark for negotiations in other industries.

The last accord at CTC, negotiated four years ago, expired on Wednesday and the seven telecommunications unions which represent over 5,000 of the company's workers are demanding a 15 per cent pay increase plus profit related bonuses and a gratuity for a no strike deal.

With inflation in Chile running at an annual rate of 24.8 per cent CTC is offering a package which amounts to a 10 per cent real increase in wages.

The sticking point appears to be profit sharing. The company, which posted a $90m profit last year, argues that it needs to plough back most of its earnings to finance a $1.2bn investment programme over the next four years.

However, Telefonica's problems do not end here. Chile's Monopolies Commission has ordered the Spanish company to sell its 20 per cent stake in Entel, the Chilean telephone company that provides long distance and international services. Telefonica has appealed against the ruling.

The Spanish company also walked into a legal dispute between CTC and Entel over which company has the right to provide long distance services in Chile.

CTC holds the monopoly on local services, but under its previous owner, the Australian entrepreneur Mr Alan Bond, the company embarked on an ambitious investment rise designed to rival Entel in the long-distance market.

The dispute at CTC will mainly hit maintenance and repairs because 90 per cent of the network is automated.

By law, unions can only strike for 59 days and companies are allowed to employ temporary workers to replace strikers.

President Patricio Aylwin's centre left coalition government has asked the unions to moderate their wage demands this year to help bring inflation under control. It has also been encouraging talks between employers and the main union federation in the hope that a consensus will be reached on much needed labour reforms. One positive outcome of the talks so far is an agreement on the minimum monthly wage, which will be raised from 18,000 to 26,000 pesos ($60-$87) tomorrow.

Uruguay prepares legislation to curb stoppages

By Gary Mead

URUGUAY'S President Luis Lacalle is preparing legislation which will curtail strike action by trades unions, which on May 24 staged the first general strike against his government's programme of public spending cuts and privatisations.

Union leaders are threatening to follow up with a two-day general strike in the first week of June.

The Bill, details of which were leaked this week in the Uruguayan daily "El Pais", proposes that strikes will be declared illegal if they are not preceded by a majority vote of union members, via secret ballot, in favour of strike action. A further clause stipulates a one week warning, to be used as a conciliation period, before the start of a strike.

Perhaps the most sensitive element of the Bill, which is likely to be passed without obstacles in Congress, proposes to deduct wages from strikers for the term of the strike, even if the strike has not been declared illegal. Strikers are now not subject to such deductions.

While legally striking workers will have legal protection against dismissal, those participating in strikes which have been declared illegal will be deemed to have broken their contracts.

Uruguay's trades union confederation, the PIT-CNT, has called on the Government to grant pay increases of 30 per cent from the beginning of June, against an offer of 15-17 per cent. The proposed legislation concerning strikes is likely to become a focus for further union protests, particularly in the public sector.

● Amnesty International said yesterday it had urged the Organisation of American States (OAS) to try to stop an increasing number of attacks on human rights activists in several Latin American countries Reuter reports. It listed Brazil, Colombia, El Salvador, Guatemala, Honduras and Peru as countries where human rights activists had been attacked or threatened.

UK NEWS

National Institute Economic Review

Economic growth could double with monetary union

By Andrew Marshall, Economics Staff

BRITAIN'S economic growth rate could double next year if the pound becomes a full member of the European Monetary System, according to the National Institute of Economic and Social Research, an independent research group, in its latest quarterly review published yesterday.

The forecast is based on a further prediction that interest rates are set to come down sharply next year, producing a recovery in the UK economy.

Lower interest rates, however, may allow consumers to continue high rates of borrowing and prolong Britain's current account deficit.

"As a consequence of lower interest rates, the current account of the balance of payments is in considerable deficit in our forecasts for the whole of the decade."

This will pose a problem for the Government, the review says, as fiscal policy will have to be tight throughout the next two years.

"Caution will dictate that tax cuts are not appropriate next year especially if interest rates do fall rapidly."

But the Government's fiscal surplus will be unable to outweigh the impact of the personal sector deficit. The report says: "The extent of fiscal restraint required for a zero current balance would be implausibly restrictive."

Investment, consumption and growth in gross domestic product (GDP) are all set to sag this year, according to the review. On the basis of last year's decline in the pound and a further fall in the UK effective exchange rate this year, the Institute's forecasters expect a current balance deficit this year of £15.5bn.

The improvement on last year's output is because of improvements in visible trade; although the surplus on invisibles is expected to decline again, to £2bn.

Consumer spending is expected to slow this year because of high interest rates and consumer uncertainty. "Personal sector debt payments to income ratios have virtually doubled since early 1988," the report says.

Investment is forecast to slow sharply, as capacity utilisation falls, profitability declines and the cost of finance increase. The Institute forecasts a 2 per cent decline in the annual rate of investment growth.

Delays likely over EMS membership

By Rachel Johnson

THE UK could not become a full member of the European Monetary System until the first half of next year, the institute said yesterday.

This is "the earliest date when it could be claimed that our inflation rate is converging towards that of other European countries," it says.

The "impetus of inflation" remains higher in the UK than in the rest of Europe. Also, the UK's exchange rate is too high for balance of payments equilibrium. So it could take longer for the UK to converge than any other major economy. It would also be a mistake to raise the exchange rate prior to joining the ERM, it argues.

The institute calls, however, for the UK to announce its intention to join the exchange rate mechanism of the ERM as soon as possible. It describes the UK Government as having been "exceptionally slow in reacting to the pace of change in Europe," and therefore unlikely to wield much influence in the designing of monetary union. An announcement, it says, would demonstrate willingness to co-operate.

The NIER says the issue is whether the UK should participate fully in proposed monetary union. If it participates, the gains in "co-operation and collective precommitment more than offset the loss of flexibility."

Congestion could leave London stranded in Europe's slow lane

By Richard Tomkins, Transport Correspondent

THE Corporation of London – the local authority responsible for the Square Mile – yesterday warned that London could be in danger of being left behind in the single European market if the city's transport system was not improved.

Its uncharacteristically blunt message to the Government accompanied a report commissioned by the corporation calling for radical measures to alleviate congestion on the city's roads and railways.

The Lord Mayor of London, Sir Hugh Bidwell, stopped short of endorsing some of the report's more controversial conclusions. These include a call for the planned deregulation of buses to be dropped.

Sir Hugh said, however, the corporation would certainly agree with a number of the report's conclusions, including the need for the proposed east-west Crossrail link joining Paddington Station with Liverpool Street.

"The need for action is not in doubt. I have become increasingly aware of concern that the state of our transport system is damaging the city's efficiency," he said.

"I refer in particular to the delays in deliveries in the city, the stress on staff who commute in their hundreds of thousands into the Square Mile every day, and the fact that centre-to-centre travel from other European capitals can be a very unpleasant experience."

The report, by management consultants Segal Quince Wicksteed, calls for better use to be made of London's buses, tougher enforcement of parking restrictions, fare increases to pay for better public transport, and road pricing to reduce traffic flows into the city.

● *London's Transport: A Plan To Protect The Future; Corporation of London, PO Box 270, Guildhall, London EC2P 2EJ;* free.

Log-jam: London crawls to a rush-hour standstill

Monopolies Commission to investigate bus takeovers

By Richard Tomkins, Transport Correspondent

TWO bus company takeovers, one in the Midlands and one on the south coast, are to be investigated by the Monopolies Commission to see if they are reducing competition against the public interest.

Western Travel's takeover of G & G Coaches (Leamington) and Stagecoach's takeover of Hastings & District Transport both took place last year. They have been referred by the Office of Fair Trading.

The Cheltenham-based Western Travel has been expanding by acquisition eastwards into Warwickshire. G & G Coaches was its main competitor in the Warwick area.

Stagecoach is based in Perth, Scotland, but has been expanding rapidly by acquisition on the south coast of England.

Its earlier takeover of Portsmouth Citybus is already being investigated by the commission.

The referrals come amid growing concern that the Government's deregulation of the bus industry outside London in 1986 has failed to create the competitive climate envisaged.

Deregulation has been characterised mainly by the break up the National Bus Company into dozens of smaller companies which rarely intrude into each other's territories.

More recently, a spate of acquisitions by a small group of aggressive companies such as Stagecoach, Badgerline and Drawlane has led to a concentration of ownership and a further reduction in the competitive climate.

The latest referrals will be a significant test of the commission's powers to investigate local bus company takeovers, of which it has so far studied only three.

The Fair Trading Act defines a "monopoly" as 25 per cent of the supply in the UK, or a substantial part of the UK, of particular goods or services.

No case law yet exists to define how large an area has to be to qualify as "substantial."

World review paints bleak image of British inflation and slowdown

By Rachel Johnson

RISING INFLATION is slowing down economic activity faster in the UK than in any other major country, according to the NIER's analysis of the world economy.

The institute has revised from 3.8 per cent to 4.4 per cent its forecast for the rate of world inflation in 1991, while output growth projections are changed only slightly by the lower wages and higher investment forecast for a unified Germany in the 1990s.

The rise in world inflation has already lifted short-term interest rates and yields on longer term bonds – causing economic growth in the US, as in the UK, to slow. By 1991, however, the NIER predicts an economic recovery for the US and Germany and says it will be Japan's turn to experience a slowdown, where "inflationary pressures have emerged."

Behind rising world inflation are not commodity price increases, but demand pressure from within the industrialised countries – in sharp contrast to earlier cycles of activity at world level.

The West German economy is particularly vulnerable to rising inflation and economic union with East Germany in July will add to spending in the west.

But stronger growth in Europe and the US economic recovery is expected to produce a sharp rise in world trade growth in 1992. World trade gets a big boost from the rise in imports from centrally planned economies and an increase in cross-border European flows after the single European market in 1992.

Glaxo seeks approval to develop new drug for migraine sufferers

By Charles Leadbeater, Industrial Editor

GLAXO, one of the top two British pharmaceuticals companies, is on the verge of seeking regulatory approval for a innovative drug to treat migraine.

The drug, Sumatriptan, is widely regarded by analysts to be one of the first effective treatments for migraine which afflicts about 10 per cent of adults.

Sumatriptan's development will become increasingly important for Glaxo as it attempts to beat off growing competitive pressure on Zantac, its leading ulcer drug which accounts for about half its turnover.

Analysts expect Sumatriptan could contribute between £300 and £400m a year to Glaxo's earnings after 1995. The application for regulatory approval will be a test of Glaxo's approach to development.

Glaxo's wants to defend Zantac, which last year earned the company about £1.3bn, while it develops other drugs with a large potential market.

The launch of Sumatriptan will take on added significance as doubts have been raised recently about how long US patents will protect Zantac from competition from so-called generic drugs.

The main Zantac patent in the US will expire in 12 years time. However there are growing concerns that a second patent, which will expire in 1995, could be used by competitors to launch a generic product.

The company also said it was going ahead with work to extend the use of Zofran, its anti-nausea drug, from the treatment of nausea among cancer patients to a general anti-nausea drug.

The company expects to spend £410m on research and development this year, marginally down on the £440m planned a year ago.

It plans to spend £250m a year over the next three years to complete work on laboratories in the US and Italy and build a new complex at Stevenage as well as a research centre just outside Tokyo.

BBC World Service plans to extend radio services

By Raymond Snoddy

THE BBC World Service is to increase its broadcasts to the Soviet Union, China and Vietnam after a full-scale review of the service for the next three-year funding period.

Mr John Tusa, managing director of the World Service which broadcasts to around 250m regular listeners from its London base also confirmed yesterday that services in two languages – Japanese and Malay will be dropped.

Mr Tusa said: "Of course closure of a service, especially any one which has served its area well over a long period of time is regrettable."

The cuts would however enable the BBC "to meet audience needs in vital parts of the world", he said.

As part of the changing pattern of broadcasting agreed with the Foreign Office, which funds the World Service and has the right to "prescribe" the number of languages and hours devoted to them.

There will also be increases in English language broadcasting to western Europe, Asia and the Far East.

The World Service will also be launching a new service devoted to the learning of the English language in south and east Asia for five hours a week.

Funding of the World Service for the next three years is still under negotiation and is likely to be announced in the Chancellor's autumn statement on public expenditure.

COMPANY NOTICES

LEGAL NOTICES

THE COMPUTER MARKETPLACE

UK NEWS

New trading system to hit 3,000 stock exchange jobs

By Andrew Freeman

UP TO 3,000 jobs will be lost by 1993 in the City of London as a result of Taurus, the paperless trading system for shares under development by the London International Stock Exchange.

Most of the jobs will be in clerical and back office functions but the system will also signal the end for the hundreds of messengers who carry settlement papers in the City.

Mr Andrew Hugh Smith, chairman of the Stock Exchange, said yesterday that more efficient settlement procedures would introduce substantial savings for the UK securities industry. Taurus would bring lower transaction costs which should lead to higher trading volumes, he said.

Stock Exchange officials refused to speculate on the precise number of jobs that would be lost but estimated the total saving on staffing costs at £54m each year. Spread over 10 years, the savings have a net present value of £230m.

London's custodian banks, which administer portfolios for clients in return for a fee, stand to make the biggest saving but they will also have extra costs to bring their computer systems into line with Taurus.

A £95m loan to finance most of the development costs of Taurus is being syndicated by Barclays, while the Stock Exchange said it would meet the remainder of the £45m-£50m central costs.

The Stock Exchange report included a comment from the Bank of England that London needed to improve its settlements quickly if it was to retain its position as a leading international centre for securities trading. The Bank said London was already "well behind the game" in relation to some other centres and backed Taurus as essential to the progress of the City.

Taurus should achieve cheaper and more reliable settlement for small investors. It should also provide companies with more flexible information about their shareholders, said the Bank.

Farmers react angrily to French ban on UK beef

By Jimmy Burns

THE National Farmers Union last night issued a strongly worded statement, condemning the "unilateral action" taken by an EC member.

Sir Simon Gourlay, NFU president, said: "It is deplorable that the French have once again taken the law into their own hands in this way. What they have done is totally outside Community law, and we are seeking an immediate reversal."

France is the single most important export market for UK beef worldwide, according to the Government quango, the Meat and Livestock Commission.

The Commission said that the French move had taken it by surprise.

It said it expected European countries to stand by an earlier decision by the standing veterinary committee of the EC which concluded that British beef was safe to eat and of no danger to consumers.

The British meat industry also reacted angrily to the French move yesterday and warned that an extended ban could have a potentially crippling impact on farmers and exports.

Gourlay: "deplores" ban

Mr Mark Symons, general secretary of the Federation of Fresh Meat Wholesalers, representing slaughterers and wholesalers in England and Wales, said that importance of the French market to the Federation's membership could "not be overstated".

He said: "The move is quite illegal. Quite out of order... those who specialise in exports to France will be very badly hit as will farmers facing a loss of outlets."

The Federation believes that the French Government is less concerned about an outbreak of "mad cow disease" than the pressure it is facing from local farmers over alleged dumping of low-priced British beef on the french market.

Mr Stephen Saunders, a director with Anglo-Dutch Meat which exports beef to France predicted that a French ban would have a "dramatic effect" on British farmers.

Among exporters, those most exposed were those who concentrated exclusively on beef, he added.

Tabloid publisher likely to have newspaper takeover blocked

By Ralph Atkins

MR DAVID Sullivan, the controversial newspaper publisher, is expected to have his efforts to take over the Bristol Evening Post blocked today.

After a two-month investigation, the Monopolies and Mergers Commission is expected to recommend against him taking a controlling stake in the newspaper.

Mr Sullivan is best known as the publisher of the Sunday Sport – the sensationalist tabloid newspaper that brought the world such headlines as "Second World War Bomber Found on Moon." He bought a 7.4 per cent shareholding in the Post in January.

At the time he intended to increase his holding as he believed that the Post's assets were undervalued. But his controversial style lead to fierce opposition from the newspaper in Bristol, south-west England, which feared it would lead to a decline in quality.

Sullivan: faces block

The decision to block the purchase – expected to be backed by the Department of Trade and Industry – will be welcomed by the Post's journalists. The Post owns a string of regional newspapers as well as convenience stores and an investment property division.

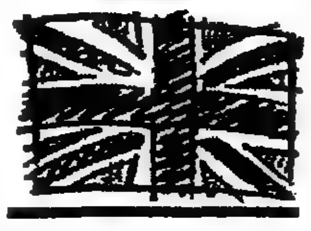
Mr Nicholas Ridley, Trade and Industry Secretary, referred the sale to the MMC in March. Under the 1973 Fair Trading Act, the Secretary of State must first clear any proposal that would give a prospective newspaper proprietor control of publications with a combined paid-for circulation of more than 500,000 a day.

It is normal in such circumstances to send details of the proposed transfer to the MMC for its consideration.

The MMC will have considered whether the purchase would have been against the public interest. It would also have looked at the need for accurate presentation of news and free expression of opinion.

Mr Sullivan has an image of a flamboyant publisher whose titles also include "girlie magazines." But he also has a reputation as a shrewd businessman.

BRITAIN IN BRIEF



Paisley says Dublin role unacceptable

The Reverend Ian Paisley, leader of the Democratic Unionist Party, said yesterday that Northern Ireland's Unionists could not accept any role for Dublin in negotiations about new structures of government in the province.

His comments highlighted the careful balance which will have to be struck by Mr Peter Brooke, Northern Ireland Secretary, in his efforts to start inter-party talks on the political future of the province.

Ian Paisley: no to Dublin

The Irish Republic will have to be included in any discussions on the future of the 1985 Anglo-Irish Agreement which is also expected to considered in any negotiations.

Rangers FC to raise £8.5m

Rangers, the leading Scottish football club, yesterday launched a £8.5m debenture bond to raise two-thirds of the cost of reconstructing and refurbishing the main stand at its Ibrox stadium in Glasgow.

The Rangers bond, as it is called, will bear no interest, but holders will be given a named seat on the top deck of the new stand and the priority right to purchase a ticket to sit in it.

The bond can be traded or passed on from generation to generation.

A total of 6,807 Rangers bonds will be issued, varying in price from £1,000 to £1,650, according to the type of seat allocated.

Northern business gloom

More small and medium-sized businesses in northern England are now beginning to cut investment plans and shelve the launch of new products as the economic climate worsens, according to an independent survey published yesterday.

The survey by 3i, the venture and development capital group owned by the main clearing and Scottish banks and the Bank of England, says that more larger companies than smaller ones are drawing back. Of those turning over more than £6m a year, 52 per cent are cutting investment.

Nuclear dump at Devonport

Royal Navy chiefs today confirmed they are to re-submit plans for a nuclear dump at Devonport naval base after a similar store was approved in Scotland.

Campaigners against the proposed Plymouth dump say nobody wants nuclear waste on their doorstep and claim it is a health risk.

The fleet's top nuclear expert, Captain Charles Pezzey, says the Plymouth waste store is so important that if the council there continues to veto the project the navy will be forced to store "on site" at the submarine refit complex.

Action urged on farm pollution

Prosecutions of farmers who pollute the countryside need to be stepped up, the Commons Public Accounts Committee said yesterday.

The call for more prosecutions was contained in a critical report issued by the Committee on capital grants totalling £2.4bn in 1988 prices made by the Government to farmers since 1980.

The report notes that there were only 148 successful prosecutions of farmers for pollution in 1988, despite over 900 serious pollution incidents being reported in England and Wales.

Plastic profits being squeezed

Profits in the plastic industry are being sharply squeezed by the slowdown in the UK economy, according to a report published yesterday by the British Plastics Federation.

The report, based on a survey of 156 plastic groups, found profits had deteriorated at two thirds of plastic manufacturers and material suppliers in the last six months.

Less than 15 per cent had improved their profits in the last six months and only a quarter expect profits to improve over the next year.

British Rail freight threat

British Rail's Speedlink freight operation yesterday looked in jeopardy as BR's Railfreight Distribution subsidiary opened discussions with the service's customers over its future.

Speedlink is BR's general merchandise operation which carries all freight other than parcels, container traffic and "trainload" traffic such as coal, aggregates, metals and petroleum.

The service accounts for £45m of the freight sector's annual turnover of £160m, but it is expected to lose £30m this year. BR says the losses are unacceptable.

University gift from Daiwa

Daiwa Securities Ltd has donated £5m for the construction and endowment of the Daiwa Foundation Japan House to be built on a site owned by the University of London.

The Foundation funds educational projects intended to further Anglo-Japanese understanding. Lord Roll, chairman of the Foundation, said Daiwa has donated a further £2m this year to a number of British universities, of which 65 per cent is earmarked for lectureships in Japanese studies.

A further £450,000 has been set aside for visits to the UK by Japanese academics and for undergraduate visits to Japan.

Health check for beaches

Swimmers have nothing to fear by bathing in sea water polluted by toxic algae blooms, the Government said yesterday.

The Department of Health issued the all-clear to holidaymakers, but an earlier warning against eating shellfish caught in the North Sea between Montrose, Tayside, and the Humber, still stands. Earlier, environmental groups led by Greenpeace, protested that sewage was to blame for the algae bloom.

The Government is to put £3m towards redeveloping Liverpool's famous Pier Head in north west England at the heart of the Mersey waterfront in time for the celebrations in 1992 of the discovery of the New World by Columbus. The Pier Head already houses three of the edifices symbolic of Britain's maritime past – the Royal Liver, Cunard and Port of Liverpool buildings. Between them and the river Mersey is an open area measuring twice as large as the Piazza San Marco in Venice.

BUSINESS LAW

Generality mars EC software draft

By Mark Turner

THE PROPOSED European Community software directive, currently on its way through the Brussels legislative machine, lays down Community-wide rules for the legal protection of computer programs. Although harmonisation of protection is in principle desirable, the contents of the draft directive are extremely controversial.

Industry pressure groups vociferously advocating opposing views have been formed, with many of the chief industry players from the Community, the US and Japan lined up on one side or the other.

This unhappy state of affairs has come about because of the production by the European Commission of a poorly constructed and drafted directive at a time when increasing interest is being shown at an international level in intellectual property issues.

The ownership and exploitation of intellectual property has become one of the central issues of the latest Gatt round. Accordingly, any initiatives proposed by the Commission on intellectual property will be regarded as significant by the international community.

The legal protection of computer software in Europe is a particularly sensitive issue because of the domination of the industry by US companies. Against this background, it is obvious that any measures proposed from Brussels will be very closely scrutinised. What has so inflamed the passions of the industry is the way in which the Commission has approached its aim.

The draft directive sets out a number of rules which member states will be required to follow in modifying their national copyright laws to protect computer programs. These rules are an odd mix of measures.

The draft does not attempt to harmonise national copyright laws in any systematic way. Rather than working out a coherent and consistent set of rules, the Commission has chosen instead to set out some general principles to be followed by member states and to deal with two or three topical issues. This kind of general approach is extremely unsatisfactory since it will leave many important aspects of copyright protection to be decided by individual member states.

The most important of these issues is what constitutes an original work for the purposes of copyright protection. Definitions vary widely between member states and the draft does not attempt to correlate them. As a result, a program may, even after the directive is implemented, qualify for protection in one member state but not in another.

Surprisingly, the draft provides for a period of protection for programs inconsistent with the Berne Convention, to which all member states are signatories. Protection under the draft directive is for a term of 50 years from creation of the program, whereas the Convention requires a term of protection of the life of the author plus 50 years.

Given the speed of technological change in this area, it is very unlikely that this difference will have any practical significance. On the other hand, since the Commission has taken pains to make it clear that they intend computer programs to be covered by the Berne Convention, this derogation makes no sense.

The most controversial provisions of the directive are concerned with the protection conferred by copyright on interfaces and the restraints on reverse engineering.

Article 1(3) of the directive states that copyright protection shall not be given by member states to "the ideas, principles, logic, algorithms or programming languages underlying the program. Where the specification of interfaces constitutes ideas and principles which underlie the program, those ideas and principles are not copyrightable subject matter."

The intention of this provision is that a software producer will be able to ensure that its products are compatible with products produced by others without infringing their copyright. Having thus struck a blow for interoperable computer systems and open interconnection between different companies' products, the draft directive goes on to deny software producers a large part of the benefit of Article 1(3).

In order to understand how an interface works in a program produced by someone else, a program producer usually has to decompile at least part of the program. It could therefore have been expected that the directive would contain at least a limited right to decompile a program produced by someone else for the purposes of producing a compatible program.

This is not the case. Article 4 of the draft directive provides that the "reproduction of a computer program by any means and in any form, in part or in whole" is a restricted act requiring the consent of the copyright owner, as also is making an adaptation of a program. In addition, "loading, viewing, running, transmission or storage" of a program are also restricted acts insofar as they necessitate a reproduction of the program.

In other words, a program producer wanting to do any of these things to understand how an interface on someone else's program works will have to get the consent of the copyright owner. The net effect of these provisions is to prohibit reverse engineering and so largely nullify the benefit to program producers of the provisions of Article 1(3).

Views on the draft directive do not, however, divide along national or industry lines. The fear in many companies is that if the directive prohibits reverse engineering, then control of a program interface will rest with the person who originally built the program. This, they argue, will hinder the development of open systems interconnection and reinforce the dominance of the larger software producers.

Against this, it is argued that to allow any reverse engineering would be an open invitation to software piracy. This objection could, however, be met by limiting the right to engineer in reverse to situations where it is necessary for the purpose of producing compatible software. In fact, the draft directive appears to require national laws to permit reverse engineering of programs in some circumstances.

Defenders of the current draft also argue that, if information regarding interfaces is withheld by a program producer, action can be taken under EC competition rules. To practitioners in this field, the drawbacks of relying on Article 86 of the Treaty of Rome are obvious. It would be necessary to overcome the jurisdictional obstacles for Article 86 to apply in the first place, the most important one being that the company withholding information must occupy a dominant position in the market place within the meaning of Article 86.

It would then be necessary either to persuade the Commission to act or to embark on lengthy and expensive litigation. There is only one publicised instance where this tactic was successful. In the IBM case, it took the Commission three and a half years from the commencement of formal proceedings to extract appropriate undertakings from the company. When technological change proceeds at such a pace, the disadvantages of delays of this length are clear.

The draft directive also contains some rather odd and equally controversial provisions concerning programs which are made available to the public other than by a written licence agreement signed by both parties. This category includes most programs sold over the counter to the public ("shrink wrap licences") and extends to private sales on a standard unsigned agreement.

Article 5 of the draft provides that the licensee under this type of licence is permitted to use the program on any equipment and at any location he chooses, irrespective of the terms of the licence. The licensee is also able to adapt the program for the purpose of his own use, even if this involves reverse engineering.

In addition to these major commercial issues, the draft contains a large number of drafting problems. None of the terms quoted in this article is defined, even fundamental ones, such as "computer program," "interface" and "programming language." So there is scope for considerable divergence between member states in their interpretation of the directive.

The overall picture is not a happy one. In view of the commercial and political interests involved, it is perhaps not surprising that the draft directive has attracted so much attention. The Commission has, however, made an already highly-charged situation even more difficult to resolve by the terms of its proposed directive.

The author is a partner in City solicitors Denton Hall Burgin and Warrens.

MANAGEMENT: Marketing and Advertising

The spectacle of a former Japanese baseball hero wagging his ears in a television commercial caused a minor sensation in Japan. It was the first time the ex-Yomuiri Giants star pitcher, known simply as Egawa, had endorsed any product and the campaign sparked off 36 news stories, adding to its overall impact.

The advertisements also had the desired effect for the product – small gold bullion bars, suitable for private investors. Not only did the campaign stimulate more private investment in gold, it also generated inquiries from financial institutions wanting to distribute the bullion bars.

As a relatively young organisation, the Geneva-based World Gold Council, which paid for the advertising, prefers to see such measurable results from its efforts to promote the precious metal rather than spending on "image" advertising, the results of which are hard to quantify.

There are other examples. It set up an office in Brazil in 1987 with the aim of boosting investment in gold in that country to help mop up rapidly rising local production.

The response was positive. In mid-1986 only four major banks with 786 outlets actively retailed gold in Brazil. Now there are 12 banks with 5,500 outlets and retailers are putting $1m a year behind gold advertising programmes.

Brazil's gold output rose from 83.8 tonnes in 1987 to about 110 tonnes last year. Investment demand doubled in the same period, from 41.3 tonnes to 80 tonnes. Tim Green, an independent gold consultant, says: "Investment demand for gold in Brazil did its part in helping to support the international price in 1989 by keeping virtually all local production off the international market."

In the US the WGC targeted its relatively limited jewellery advertising budget at working women, encouraging them to "reward" themselves with a piece of gold jewellery. There are nearly 52m women in the US with gross annual earnings of $624bn. In the past two years the rate of women buying gold jewellery for themselves has jumped by 25 per cent.

The WGC is sure its promotional activities had something to do with that increase. It also claims its consistent television advertising in France has been a key factor in stopping a steady downtrend in gold jewellery sales there.

On an entirely different

The market for gold

Bullish for bullion

Kenneth Gooding explains how the World Gold Council is targeting countries and consumers on a limited budget

In Japan Egawa, a former baseball player, promoted investment in gold coins and bars

front, there was more fire-fighting last year when the WGC rushed to defend gold against substitutes in dentistry in West Germany as the government there implemented a big reduction in its health programme and patient charges were increased heavily.

Latest efforts include a lobbying campaign for the removal of value added tax on the sale of gold bullion bars and coins in the UK. The WGC has been telling MPs that London has lost business to Luxembourg and Switzerland where gold products are sold free of local tax.

This is part of the manoeuvring during the run-up to 1992 when the European Community promises to take down all remaining trade barriers. The last thing the WGC wants is for countries such as Greece, where there is no tax on gold, or Belgium, which levies 1 per cent, to move up to the UK level or to Spain's 33 per cent.

Although all this activity might give the impression that the WGC is shooting off in all directions to promote gold, in reality it has a carefully focused programme.

Elliott "Chick" Hood, the chief executive, points out that the WGC's budget, $72m this year, is by no means large enough to allow it to promote gold in all its forms in all the world markets.

So some extensive market research was carried out to establish how the cash could best be spent.

This resulted in substantial changes after March 1987, when the WGC took over the role of promoting gold internationally from the International Gold Corporation (Intergold) which was backed entirely by members of the South African Chamber of Mines.

The move reflected the relative decline of South Africa's importance as a gold producer as output boomed in North America, Australia and other parts of the world.

Today there are still 31 South African gold producers in a total membership of 90 backing the WGC but they are outnumbered by those from 11 other countries, including 27 Australian companies and 14 from North America.

To join the association, companies must be producing more than 5,000 ounces of gold a year. They contribute $2.50 per ounce of production to the WGC. (The organisation also accepts voluntary contributions which this year will bring in $10m.)

WGC's research quickly established that it should concentrate primarily on promoting gold jewellery – but only in the six major markets: the US, Japan, West Germany, France, Italy and the UK, plus a seventh – Switzerland – because of its traditional association with jewellery.

So WGC stopped promoting jewellery in 11 markets and cut the number of its offices by closing down in Brussels, Barcelona, and Johannesburg, leaving those in Hong Kong, Tokyo, London, Milan, Munich, Paris, New York and the headquarters in Geneva. (Dubai operations are controlled from London; those in Rio de Janeiro from New York.)

Jewellery is the cornerstone of the gold market. It accounts for two thirds of annual gold demand – a huge mass market consuming in 1989 about 1,800 tonnes, which is more gold than was produced last year by the western world's mines.

This year 78 per cent of the WGC's available budget will go to promote jewellery. The jewellery division works with the jewellery trade and industry so as to co-ordinate consumer promotion and stimulate direct involvement by the trade in special projects. One important element of this approach is that it enables the WGC to increase the amount of money available by soliciting trade and industry contributions; this year these will total $14m.

The WGC is increasing its emphasis on promoting gold as an investment – both to institutional and private investors. This includes sponsoring academic research. Hood says this has already proved useful, for example, "in convincing institutional investors that portfolios containing gold tend to exhibit lower levels of volatility without prejudicing levels of return."

Research suggests that gold should be promoted as a private investment – but mainly in the US, West Germany and Japan. About 20 per cent of this year's budget will go in this direction. The percentage has been trimmed slightly over the past two years as gold has been out of favour with private investors in Europe and North America because the price has been falling steadily.

The WGC's investment division also remains closely in touch with the mints which produce gold bullion coins and bars, and continues to promote the development of gold-backed investment products and gold accumulation programmes.

Accumulator schemes enable an investor to commit regular monthly payments to buy gold at the current price so that over time, say ten years, he has put together that big lump of gold he always wanted.

The remaining 2 per cent of the WGC budget this year will be devoted to supporting the industrial uses of gold – such as in dentistry.

There are still a number of producers who question if gold needs promoting. Hood's answer is: "Of course, all the gold produced can be sold – but at what price?"

Between 1980 and 1989 western world gold mine production rose by more than 70 per cent from 962 tonnes to 1,653 tonnes. Gold is subject to the normal influences of supply and demand as the price, which in those nine years went as high as $850 an ounce and as low as $284.25, indicates.

According to Robert Guy, chairman of the London Bullion Market Association, the time is ripe for the producers to put more weight behind the WGC. He says: "Gold can be money and it can be a commodity. When it's money it sells itself. When it's a commodity, the producers have to sell it."

Corby moves the crease beyond cads and bounders

The trouser-press maker has long amused Londoners with its ads. Clay Harris explains the rationale of its latest pitch

Alan Rodford used to look the very model of an advertising agency's creative director.

Michael Styles, managing director of the consumer products group Thomas Jourdan, recalls: "If you don't mind my saying it, he was a scruff, with corduroy trousers and a tatty sports jacket. Now he comes in with *pressed* corduroy trousers."

Rodford discovered the electric trouser press when Ambler Rodford Stevns, a young London advertising agency, was chasing the account of John Corby, the Jourdan subsidiary which dominates the UK trouser press market.

Now each of the agency's three partners has bought his own Corby press, and Christopher Ambler testifies (he swears without "sycophancy" to his new client): "They work very well, and once you've had one, you won't be without it."

At one time, a tale of three trendy advertising execs whose lives were transformed by immaculate creases might have featured on one of Corby's distinctive cards on the London Underground. The wordy panels aimed to keep commuters amused with excruciating puns and cod definitions. That day is past.

Corby decided early this year that the seven-year campaign, devised by advertising consultants Hedge & Company and executed by freelance creative teams, had run its course. The time had come, it concluded, to stress the product's utility and to seek new customers among the Great Unpressed unimpressed by humour about cads and bounders.

Between that decision and appointing an agency, however, Corby had to confront clearly what it wanted out of advertising and, more critically, what it could afford to spend. Since the early 1980s, Corby had budgeted a maximum of 2 per cent of turnover on above-the-line advertising. Last year, on sales of £6m, this amounted to only £150,000.

The 1980s campaign was determined by the limited budget – advertising had to be striking and memorable. The clever ads were effective in increasing awareness and sales, but Corby felt there was a gradual loss of impact and that the format could not get across the functional benefits of the product.

Sales were too dependent on gift purchases, especially in the three months before Christmas, although the trouser press apparently is also a popular retirement present. Corby wanted its new advertising to stress the advantages of looking smart and avoiding unnecessary dry cleaning, and to convince men to buy one for themselves.

It asked marketing consultant Mike Hopkins to draw up a list of small and growing agencies, or larger agencies with subsidiaries set up specifically to handle small accounts.

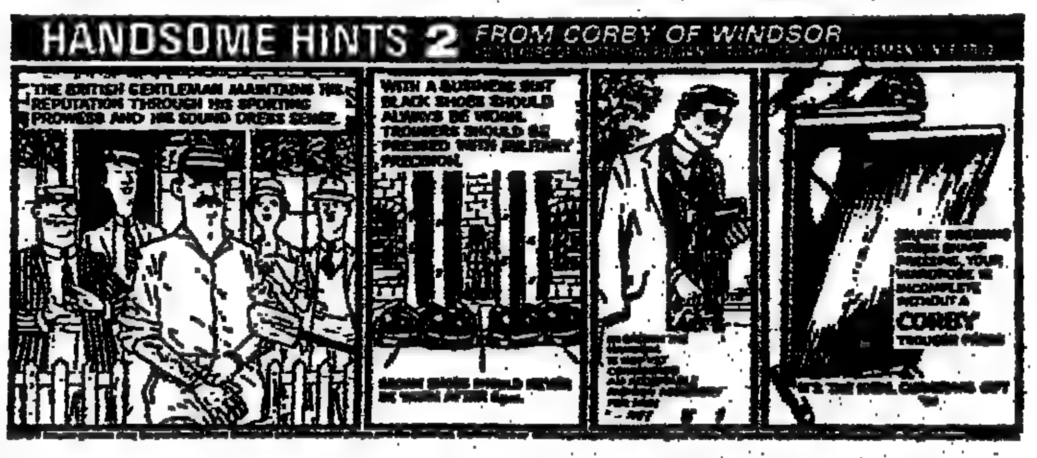
Nine names submitted by Hopkins were whittled down to a short list of four. Among the factors which led to the selection of Ambler Rodford Stevns was the fact that the agency's principals would be fully involved in the account.

All three men had formerly worked at Ogilvy & Mather, where Rodford's credits included "No FT ... No Comment" and "We're with the Woolwich." Corby was only Ambler Rodford Stevns' fourth account since the agency was formed in January. (It also handles the Financial Times' trade advertising.)

Before its maiden campaign in the autumn, Ambler Rodford Stevns is commissioning consumer research, particularly into non-owners who are potential purchasers. Ambler sees a benefit in a clear break from the previous style: "It is not an eccentric or quirky thing. It's a mainstream product in the same way as an electric razor is to many people."

Richard Hedge, responsible as much as anyone for the 1980s ads, believes, however, there was still some life in an "emotional" approach. Hedge, who now will promote Corby's sales to hotels, also notes the constraints within which he was working. "It's far more difficult to spend a relatively small budget than it is to spend a large one."

Corby concedes the point and is budgeting about £300,000 for 1990. Previously, advertising had been one of the first spending items to be trimmed. "This year, if they cut back, they're going to cut back on something else," says Styles.



Peter Knight describes how IT companies can capitalise on environmental pressures

A deal on the green market

UBS Phillips & Drew, the Swiss-owned investment bank, says EC states will spend between 2 and 3 per cent of their combined gross national product on environmental improvements in the 1990s. In 1991 this will be worth between $125bn and $175bn.

Ecotec, the UK-based environmental research and consulting group, is more cautious. It sees the market for what it calls the "environment industry" (air pollution control, water treatment, contaminated-land reclamation and waste disposal) growing by 8 per cent a year to be worth $63bn by the year 2000.

But who will get a slice of these billions? The information technology industry sees itself as an obvious winner because the management of the environment is mainly about the management of information. Helen Doe, IBM's environment protection program manager in Europe, says: "The environment involves a mess of data. There has to be a very good role for the kind of products IBM has, from supercomputers through to expert systems, databases and personal systems. All these have a key role in handling environmental information."

Winning in the green markets demands appropriate credentials. Most computer companies are working hard to demonstrate their environmental credibility. This involves two main steps:

- Showing concern about the planet's problems. This usually involves a donation to a worthy cause.
- Proving the cleanliness of manufacturing processes by cutting the use of CFCs, other chemicals and energy in factories.

Digital Equipment, the US-based multinational, has combined the two steps. It developed a CFC-free process for washing circuit boards and then donated the technology to the Industry Co-operative for Ozone Layer Protection. This organisation, a joint venture between the US Environmental Protection Agency and leading high-tech manufacturers, aims to reduce CFC use in the electronics industry.

IBM says it will eliminate all CFCs used in its factories around the world by the end of 1993 and has already done so in several factories in Europe. IBM's donation consists of computers and expertise, worth about $6.5m to the United Nations Environment Programme (Unep).

While the IT industry agrees that there is a big potential market for its products in the greener 1990s, nobody knows how much it could be worth. Richard Haines of Ecotec says the IT element of environment management market in Europe could rise from its present level of £640m a year to £1.3bn in 1995. "Much of this growth will be driven by the need for southern Europe to meet EC water-quality regulations," he says.

These estimates are confined to Ecotec's strict definition of the environment market. The IT industry also expects most of its traditional markets, such as data processing, office systems and science systems to grow in response to environmental pressures. The problem for those who market IT is to make the right guesses about which markets will grow fastest.

The IT industry has to solve a number of difficult technical problems before it can make the sort of products, such as risk-management expert systems and modelling tools, that customers are beginning to demand.

Patrick Gaffney, manager of IBM's environment research centre in Bergen, Norway, says the problems are fundamental. "Expert systems, for example, have been grossly oversold. The more complicated problem for us is how to handle the available data – information that exists on, say, magnetic tape, on cards and even in filing cabinets."

He says the industry needs to develop simple planning systems to make sense of this data. "When they take data from a satellite and all these remote sensing stations it is put into a warehouse because there is no automatic means to take this raw data and classify it. I hate to think what percentage of stored information is absolutely useless."

Gaffney's centre is trying to classify such global data in a joint project with Unep, called the Global Resource Information Database. This project involves storing structured information about the planet on computers.

"IT'S WHAT WILL HAPPEN IF THE OCEANS RISE"

The aim is to analyse the data and allow non-specialists to ask questions about the environment. For example, once the relevant information about Uganda's agriculture is stored on the computer, a politician could ask what would happen to the coffee crop in a specific region if there was a two-degree rise in average temperature.

IBM has isolated five main areas for further research and probable product development:

- Computer modelling (enables "what-if" questions).
- Databases (computerised stores of information).
- Remote sensing (collecting information about the planet).
- Mapping (computerised cartography including satellite data).
- Visualisation (presenting information in pictures).

Development of other related IT technologies, such as geographic information systems and expert systems, are viewed by the industry as essential if market demands are to be met. These technologies are often combined to develop specific systems.

Research projects already under way in Europe often involve a mixture of these specialist areas and give some indication of what sort of products will emerge. For example, the EC Co-ordinated Information on the Environment database uses mapping software running on a Digital computer. The system is used to monitor environmental conditions, especially land-use planning and soil quality.

"The growth of environmental databases is enormous," says Doe. "I think virtually every country wants to set up its own at the moment."

The Sevex project run by IBM, Liège University and other Belgian educational institutions has produced an expert system to help the emergency services identify risks from possible accidents in factories that use hazardous substances.

Modelling programs will also help answer the "what-if" questions that emergency services and politicians ask. For example, companies transporting oil through the fish-farming waters of southern Norway are keen to develop a computer system that will improve their management and help them plan for disaster.

If the computer is fed the right sort of information, such as weather conditions and prevailing currents, it will be able to predict where the oil will go if, say, two tankers collide.

Environmental computer models and expert systems, or a combination, are difficult and expensive to build. This is mainly because of the multi-disciplinary skills needed to set them up. The information they contain is also specific to a certain site or area.

This makes it difficult to package such a product and sell it throughout the world. Gaffney says these sorts of systems will be used initially, say in the next five to 10 years, to provide consultancy services rather than high-volume products.

Big profits will only come when the necessary products can be mass produced. But there are still plenty of opportunities for IT companies to capitalise on environmental pressures. This is mainly because the environment-management sector has been underfunded in the past and has missed the computer revolution.

Take the water industry. EC directives on water quality and pressure from the electorate have forced the water industry across Europe to improve its pollution monitoring. This involves co-ordinating information from various agencies and industries. Most of this is done in the traditional paper trail with forms passing between organisations via the post.

"At the moment it's a Mickey Mouse sort of effort. There has to be a fundamental change in the way things are managed," says Haines of Ecotec. That involves the sort of information technology already used by other sectors. The paper-trail, for example, could be automated and placed on an electronic network.

Some of the big toxic waste companies in the UK want to set up an electronic data interchange system similar to the one used by big retailers and their suppliers. This should improve management and help the companies respond quickly to new laws.

The way this and other businesses respond to environmental pressures will determine the winners of the next century. And the IT industry is confident it will be up with the leaders because it has the technology others need to survive.

WORTH WATCHING

by Della Bradshaw

Where the glass grows greener

SITES contaminated by industrial waste such as asbestos or heavy metals are promised a new lease of life by a technique to turn the soil into glass.

Developed by Dunston Ceramics, of London, the process involves removing the contaminated earth under controlled conditions and melting it in a traditional glass furnace, with additives such as silica, alumina or limestone to give a good glass mixture.

At temperatures of over 1,500 deg C organic residues are burnt until the soil becomes molten glass. The contaminants are held inert in the cooling glass in the same way that lead is held inert in the lead crystal used to make wine glasses.

As well as rendering the contaminated soil harmless – the chunks or grains of glass can be used in road surfaces, industrial pipes or abrasives, such as sandpaper – the process also cleans up the site for building.

Dunston is planning to run its first commercial site in south-east England, recycling 1,000 tonnes of soil a day.

Sharing a wealth of programs

Unix International aims to double the number of computer programs available for computers running on the Unix operating system over the next two to three years, writes Louise Kehoe.

It will do this by encouraging independent software vendors to create Unix versions of programs currently used on PCs and proprietary computer systems.

The industry group's efforts are aimed at expanding the base of applications for computers running Unix System V Release 4, the latest version of AT&T's Unix.

Unix International, one of two industry groups attempting to establish standards for "open system" computing in which computers of different types and brands can share software, has more than 150 members. The rival Open Software Foundation, whose members include IBM, Digital Equipment and Hewlett-Packard, is taking a different approach by developing its own version of Unix.

The Unix computer market, currently estimated at $16.8bn, is expected to double to nearly a quarter of the overall computer market by 1993.

Pictures tell a thousand words

AS phone companies introduce digital technology into their networks, the ability to send photographic snapshots over the phone line grows.

But for those who cannot wait for digital technology, Sony, of Japan, has developed a system which can send video-quality pictures across the ordinary analogue phone network.

The DIH 2000 is already on sale in Japan and the US and is now being introduced in Europe.

The DIH 2000 takes a snapshot from a video image and digitises it. The picture is then sent as a digital signal over an analogue telephone line. Each colour image contains 445,440 picture elements.

The biggest drawback is the speed: using a digital line the picture would be transmitted in less than 20 seconds; with the Sony system it can take over to two minutes.

Heat reaches new heights

PATIENTS suffering from severe burns can often develop hypothermia because their skin cannot retain the body's heat. As a result, patients have to be kept warm in order to prevent complications after the accident.

Until recently that has involved increasing the ambient temperature of the room – unpleasant for the nursing staff – or adding extra blankets – unpleasant for the patient.

But the latest Swedish answer to the problem, now installed in London's Queen Mary's hospital, is a thermal ceiling.

Developed by Aragons, of Sollentuna, the ceiling emits radiant heat to the patient's entire body, while only fractionally increasing the heat in the room. The OPN-Thermic Ceiling is also available as a mobile unit.

Engineers get their day

THOSE who thought that engineering was the domain of the mechanical widget and the greasy rag must think again.

Following four years of negotiations the British Computer Society (BCS) has become a recognised chartered engineering institution, which means that qualified software engineers can be registered with the Engineering Council – and display the coveted CEng affiliation after their names.

The BCS is hoping this pioneering move in the UK will eventually lead to software engineers achieving this recognition on an international basis.

Travel, and do drink the water

THE jug water filter is now a common embellishment of many a UK kitchen. But how do you clean up the water supply when you are travelling?

The answer could be a straw with a built-in bacteriostatic filter. Simba Promotions, of Cranbrook, Kent, is now marketing just such a gadget, designed in the US. The Accufilter, as it is called, filters out chlorine, bacteria, insecticides and organic poisons, say Simba. For additional safety in areas where the drinking water is heavily contaminated with bacteria, the company recommends dissolving chlorine tablets in the water to kill them off. (The chlorine is then removed by the filter.)

Sucking water through the straw is only as difficult as drinking a thick milkshake, says Simba.

Contacts: Dunston: UK, 071 727 8484. Unix International: US, 201 2638400; Belgium, 2 672 3700; Japan, 3 5256 0808. Sony: Japan: 03 448 2111; UK: 0256 474011. Aragons Medical: Sweden, 8-823 87 80. BCS: UK, 071 637 0471. Simba: UK, 0580 713880.

ARTS

CINEMA

Unmoved by he-man revenge

"Is there a limit to revenge?" asks the poster for *The Punisher*. Yes indeed. One is the audience's patience. On the strength of this film and its near twin among the new releases, *Hard To Kill*, the ageing status of vigilante veterans Schwarzenegger and Stallone (neither present here) has not laid to rest the he-man revenge movie. It has merely ushered in a new generation.

When last seen in public, Mr S and Mr S were dancing together at a Cannes Film Festival photo-opportunity at the Hotel du Cap. (I was not invited but I saw the incriminating pictures.) *Sic transit* yesterday's machismo. But it still seems more rugged and reckonable than today's machismo.

Revenge is a demanding genre and by no means a new one. Many years ago there were playwrights like John Webster, John Ford and Cyril Tourneur: men who could have earned a fortune in today's Hollywood penning, say, "The Revenger's Tragedy 2" or "'Tis Pity She's A Hooker." These men knew that for revenge to awaken an audience it must be either well-motivated (rough justice) or sublimely batty (psychosis). Hollywood today seems to miss this point. For revenge to work, think the moguls, you need nought but an expressionless hulk (Dolph Lundgren in *The Punisher*, Steven Seagal in *Hard To Kill*), some token baddies and an array of loony weaponry. You also need a large body count. "You've killed 125 people in five years. What do you call that?" screams police detective Lou Gossett to black-leathered vigilante Mr Lundgren. "Work in progress" replies Mr L.

We know what this means. *The Punisher 2* is around the corner. And the thinking behind both this week's vengeance operas is that a sufficient loading-dose of slaughter in film one will prepare audiences for films two, three, four and umpteen. In *The Punisher* a city's gangland is terrorised by

Expressionless hulk: Dolph Lundgren in 'The Punisher'

Japanese take-overs, apparently the most threateningly un-American thing since Chinese takeaways. Mr Lundgren, an ex-cop with a grudge against the world since his wife was murdered by mobsters, prowls the city sewers like all good 1990s vigilantes. (Compare the teenage mutant Ninja turtles.) He surfaces only to subject the Yakuza invaders to bullets, knives, darts and croaked, Stallone-like epigrams.

By the close the floor is as carpeted with corpses as a Jacobean melodrama. The only difference is, we are unshaken and unstirred. We merely admire nutty grace-notes like Mr Lundgren's ability to remove sharp instruments from his person and effect an immediate recovery; or – for no good vigilante appears in public improperly made up – his application of a charcoaled mock-stubble principally designed, it seems, to heighten his cheekbones.

In *Hard To Kill* Steven Seagal is less decorative. The grim-faced, pony-tailed ex-cop witnesses his wife slaughtered at home and in the same attack suffers wounds that put him into a seven-year coma. He recovers, thanks mainly to beautiful nurse Kelly Le Brock who becomes his girlfriend. Then he sets about finding and despatching the villains. This after an obligatory course of Chinese acupuncture, body-singeing and Zen meditation. (Note to movie industry ethnologists. In today's Hollywood Chinese things are good, Japanese things bad.)

Both *The Punisher* and *Hard To Kill* direct themselves, though credited respectively to Mark Goldblatt and Bruce Malmuth. Only the first movie was based on a comic-strip, but both play as if sketched straight onto the frame by film-makers with no time for anything so labour-intensive as characterisation or a convincing plot.

*

The opening scenes of *We're No Angels*, directed by Neil Jordan from a script by David Mamet, might have leaped from the same sulphur pit as the above films, or their superior gangbusting precursors. Hell is a place called Blackridge Penitentiary, circa 1935; Heaven is getting out of it. Two convicts (Robert De Niro and Sean Penn) take advantage of a prison fracas to break out and flee into the night. Thence the two men slog it to the US-Canadian border where, mistaken for priests in a monastery town, they don the cloth and start doing a lot of ecclesiastical mugging. You can guess most of the rest yourselves, right up to the farcical showdown at a religious parade.

For nuns on the run, read hams on the lam. It is a sorry waste of Neil Jordan's talent. Especially after the dazzling opening: Blackridge prison brought to Dante-esque life in jagged, lightning-bolt angles and sets of Gothic enormity. (The film's first shot cranes up *Kane*-like over wrought-iron

THE PUNISHER
Mark Goldbaltt

HARD TO KILL
Bruce Malmuth

WE'RE NO ANGELS
Neil Jordan

THE VANISHING
George Sluizer

LOVERBOY
Joan Micklin Silver

HARLEM NIGHTS
Eddie Murphy

gates). Thereafter Mr De Niro overacts as if he had been kidnapped and brainwashed by a *commedia dell'arte* troupe. Mr Penn looks at him in understandable bewilderment. And Mr Mamet must wonder why he pledged his quill to a project that flirts with interesting ideas (miracle versus coincidence, faith versus fraud) but never converts flirtation to true romance.

*

The week's best film, in default of masterpieces in our own language, is Holland's *The Vanishing*. Picture yourself and your loved one motoring through France. Your loved one (Johanna Ter Steege) vanishes at a service area. What do you do? Answer: almost everything that the hero (Gene Bervoets) does here. Up to and possibly including tracking down the abductor three years later and paying the ultimate, horrifying price for knowledge of the victim's fate.

If Hitchcock and Nietzsche had ever collaborated on a movie, this would be it. Tim Krabbe's script from his own novel is a cat-and-mouse game between hero-sleuth and villain-sociopath. The latter is a mild, goatee-bearded teacher (brilliantly played by Bernard-Pierre Donnadieu) whose studies have simply taken him beyond good and evil. It could happen to any of us. That is the film's strength and horror. George Sluizer's direction might have been more queasily inventive (the film is shot as flatly as a travelogue). But then matter-of-factness is finally the film's virtue. Like hail from a clear sky comes horror from a simple motoring holiday.

*

Loverboy has a plot that may once have seemed charming and ingenious. Taking a summer job as pizza delivery boy, young Randy (Patrick Dempsey) finds himself becoming a $200-a-time gigolo. Lonely or husband-spiting married ladies (Barbara Carrera, Kirstie Alley, Carrie Fisher) turn him into a one-man toyboy network. The business is only scuppered, come curtain-time, by understandably dismayed husbands.

Directed by Joan Micklin Silver (*Crossing Delancey*), this is a quasi-feminist comedy dedicated to the motto "Women too can cut loose and declare sexual independence." What the movie does not cut loose from is the clichés of sex comedy. Dropped trousers, squawks of discovery, uxorious wrath: it is like a Brian Rix farce seen from the other side of the sexual mirror.

Brief redemption comes from Carrie Fisher: in fighting form as a housewife disillusioned with diets and healthy eating. "F— fibre" she cries at one sterling moment. The exclamation went straight to the core of my own bran-detesting being.

Harlem Nights, starring Eddie Murphy, is a 1930s-set gangster comedy written, produced and directed by Eddie Murphy. It has two laughs, one moment of tension and much Art Deco frou-frou from designer Lawrence (*Blade Runner*) Paull. Richard Pryor co-stars. How are the mighty fallen.

Nigel Andrews

Burn This

HAMPSTEAD THEATRE

If Truffaut were to remake *Jules et Jim* in a modern New York setting, his freewheeling central trio would comprise a girl and two men, both gay though not necessarily with each other. Such is the idyllic friendship that existed shortly before the curtain rises on Lanford Wilson's play, currently given its British première at Hampstead. One of the trio, the dancer Robbie, has been drowned; and relationships around Anna, his flatmate and choreographer, shift to accommodate the changes. A new and heterosexual triangle is formed: Anna, her boring, rich admirer Burton who writes bad screenplays and teaches martial arts at the YMCA, and Robbie's brother, who descends on them one night like an elemental force of nature, voluble, foul-mouthed, frenziedly aggressive; a wounded animal that lashes out at its helpers.

First performed in Los Angeles in 1987, the play moved to Broadway later the same year. Given its American success, it proves disappointingly flabby and soft-centred – if indeed it has much of a centre, amiably ambling along as it does in no particular direction. The work's strength lies in the writing for the character of Jimmy, the brother, known as Pale.

The work's weakness lies in the isolation of this character and the resultant colourlessness of the others. He may represent a gust of real feeling, animal vitality that shows up the sheltered and well-heeled liberal bohemianism of arty New York society. He may be a subversive, Boudu saved from drowning only to wreak havoc in his hosts' polite world. Or he may simply be a rip-roaring showpiece for a star actor; which function John Malkovich certainly assigns him.

Best known for his performance in the filmed *Liaisons Dangereuses*, Mr Malkovich overcomes the effect of lank shoulder-length locks and an early Max Wall hairline to drone intensely through some wonderfully weird vituperative, not merely obscene but quaintly turned,

Alastair Muir

John Malkovich and Juliet Stevenson

with the combination of verbal wildness and emotional precision one associates with Brando. He can, however, make sense of the character's vacillations between the *fauve* and something more sensitive only by lapsing into cliché: the noble savage tamed, the tough guy with a heart of gold.

Ultimately it is hard to judge this performance since the character is so individual, so grotesque, that there is no yardstick of normality by which to tell whether the actor is going over the top or not. The others are not much help; the final puzzle is why Juliet Stevenson's warm and wry Anna (like the surviving flatmate, opera-loving Larry, a repository of throwaway flipness – all a bit much after nearly three hours) would fall for a roaring psychopath.

Underneath social satire and psychological probing is a solid conventional comedy about little-boy-lost meeting bewildered upper-crust girl while wisecracking confidant looks on and wisely lends a hand to bring them together. (It might have been Celeste Holm or Eve Arden but Lou Liberatore does as well.) Michael Simkins is just right as Burton: adequate but fatally complacent. Eileen Diss' set proves that chic converted warehouse apartments are depressingly the same the world over.

Robert Allan Ackerman directs; nothing is quite as good as Mr Malkovich's first entry, all spluttering rage and waving arms, his tirade uttered with his back to the audience. Like the play, it promises more than it can give when addressed face to face.

Martin Hoyle

Otello

NEW THEATRE, CARDIFF

Peter Stein's WNO production of Verdi's opera made a great impression when it was new, four years ago, and it has survived cast-changes admirably. With Richard Armstrong as conductor again, Donald Maxwell is once more the Iago, but his colleagues are mostly new: in the case of the American tenor William Cochran, replacing the ailing Jeffrey Lawton as Othello, very new indeed.

Evidently Cochran arrived in time to rehearse, for he seemed securely at home in Stein's staging (which anyway displays the action without eccentric departures). He brings a seasoned portrayal to it, strong and dignified. If he entered with an "Esultate" less exciting than the splendid sound the WNO male chorus had been making – and later began the love-duet still too much in military style, without due softening – his conception of the whole role proved to be rock-solid. His presence is imposing, and the voice secure despite his veteran's vibrato, with a range of dramatic colour which was revealed little by little; the softening came at last in the dénouement, beautifully and without melodramatic tricks.

Faith Esham's Desdemona matches him in firm attack. She looks lovely, and wields an unexpectedly potent mezzo range besides a fine, full top. On this first night she was articulate beyond the call of duty: her later scenes – excellent as they were – would have gained from less insistent consonants and longer, more elevated lines. By nature Verdi's heroine is something of an idealisation, and Miss Esham's energetic New World pluck lost a degree (no more than that) of the intended saintly pathos. But she has found a remarkable solution to the problem of how Desdemona should sound after being strangled, when she keeps on singing: eerily frail, clearly expiring, yet musical and true.

Maxwell's extraordinary Iago is a simian, diabolical jester, obviously part of Stein's plan, though Boito imagined a cooler customer. He capers, grimaces, sometimes virtually directs the stage-action; he also sings the role more roundly and ripely than I have heard him do anything – which is not meant as faint praise. (Only in the duet with Othello did his line risk disappearing into Armstrong's seething orchestra. menace that one might not in its specialised way, this is a memorable incarnation.

Wendy Verco's alert Emilia comes into her own, strikingly, in the final scene. There is a soft-grained, passively lyrical Cassio from Neill Archer, and a similarly competent Roderigo from Richard Morton. As Lodovico, Geoffrey Moses lends an eloquent bass-line to ensembles. Armstrong conducts the whole of the first act with tremendous drive; later the same urgency propels some scenes very well, sometimes drives headlong through subtler possibilities. The great Act 3 ensemble, for all its forceful sonority, made a net effect that was merely "operatic," hardly tapping its astonishing range of collective distress.

Lucio Fanti's *trompe-l'oeil* box sets, flat and angular at once, serve Stein's purposes impeccably, and are brilliantly lit. The handling of the crowds is imaginative and powerful. Altogether this is a performance eminently worth seeking out, if not in Cardiff this Friday then in Liverpool, Birmingham, Southampton, Manchester, Bristol or Oxford during the next six weeks. I wish my first *Otello* had been even half as good as this one.

David Murray

Much Ado About Nothing

OPEN AIR THEATRE, REGENT'S PARK

This play is simply ripping. I mean to say, it begins with a game of croquet and ends with everyone singing "Funiculi, funicula." It's almost as good as *Charley's Aunt*. Who'd have thought Shakespeare could be so – so one of us? Gosh, the man was an absolute trump.

It's just full of japes. The hero is a well-meaning, jug-eared, fish-faced duffer called Claudio. He not only gets involved in playing one jolly good prank – making his friend Benedick fall in love; he also has a thoroughly wizard wheeze tried out on him. Some silly rotters fool him into thinking his fiancée's been unfaithful, so, not unnaturally, he tells her where to get off. Then, when he finds out she was innocent, he's so awfully sorry. Things, though, work out for them both splendidly, you'll be relieved to hear.

The only two non-pranksters, despite the trick that's worked on them, are this fellow Benedick and the woman he falls for, Beatrice. In fact, they're mugs, and – though they say a lot of stuff that I expect must be fearfully clever – they're the play's only unjolly people. It's all in Edwardian dress, by the way; and Beatrice makes her first entrance in period culottes on a bicycle singing the page's song from *Figaro*. She must be a Modern Woman or something, because later she actually enters with a bicycle-wheel that she's obviously been mending. And Benedick is a bit stuffy. Anyway, the two of them do tend to dampen things rather. Mind you, it's a lark when Benedick, having shaved off all his face-fungus when he's in love, comes on with bits of sticking-plaster over his face. And later Beatrice is *most* amusing when she tells him "Kill Claudio."

What else? There's a piano draped in velvet, and the pianist lets you know when someone important enters. Oh yes, and there's a chorus of hootingly funny policemen. They enter singing "Drink to me only with thine eyes" and later on the Miserere thing from that *Trovatore* opera. They even make a song when they're arresting the two twits who got poor Hero into such a mess. Everyone was simply terrific, especially when helping out the actor playing Hero's father when he seemed to dry up early on in a big speech. And there was amazing birdsong during Act One and then a tremendous mauve sky during Part Two. Apart from the Beatrice and Benedick bits, it's not the least bit heavy, so I'm sure you'll all want to go too.

Alastair Macaulay

Ashkenazy

FESTIVAL HALL

For musical as well as as extra-musical reasons one would like very much to admire Vladimir Ashkenazy's conducting. Memories of his finest recitals as a pianist are easily transferred to images of him controlling an orchestra, and sometimes the conceptual leap is justified; in Shostakovich, for instance, or Richard Strauss. More often, however, the result falls just short of the expectation, as it did on Tuesday when he conducted the Royal Philharmonic in a work that ought to bring out his most characterful qualities, Chaikovsky's Fourth Symphony.

In short spans the performance was magnificent – superbly played, driven with real intensity; the finale maintained that standard almost throughout. But elsewhere in traversing the gaps between those favoured passages all the momentum was too easily allowed to dissipate; a sense of direction could be lost in a matter of a few bars, the crisp definition suddenly blur. It does not seem to be a technical problem; more the difficulty of filling in the spaces, finding a mode for those moments when the music is not making an unambiguous statement, not heading for a goal. Even pauses are dwelt upon a fraction too long, so that emphasis becomes hesitancy; however well the following phrase is presented its significance is critically weakened if the connecting thread has already been broken.

Such factors conspired against Weber's *Euryanthe* Overture in a fundamental way. Weber's music seems increasingly a specialist cause, only revealing its best qualities when treated with some degree of personal sympathy; here textures seemed unwieldy, rhythms slack and melodies sentimentally distended – a caricature almost of what concerned early romanticism. It seemed a curiously inappropriate piece of programming.

Ashkenazy's accompaniments for Radu Lupu in Mozart's C minor Piano Concerto K.491 were tactful and correct, but neither he nor the soloist seemed concerned to offer anything more than a study in faded nostalgia. Lupu's playing was immaculate, pearly clean and intimate, and far less loaded with self-conscious rubato than his account of K.453 at the Barbican a month ago. He still gives the impression of holding back, however, of constructing a model of the work he is playing out of uncomplicated emotional patterns, so that K.491 becomes a study of melancholy recollected in tranquillity rather than the powerful, tragic statement that great interpreters – Solomon, Curzon, Serkin – have shown it to be. Many lesser pianists get through their whole careers with such models of course, but Lupu is surely too serious and gifted a musician to content his audiences with that.

Andrew Clements

ARTS GUIDE

May 25-31

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung in a curatorial triumph.
The Royal Academy. Modern Masters from the Gelman Collection – a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and earliest Picasso to Picasso the old man, by way of all the great names of the School of Paris, Matisse, Modigliani and the rest. Until July 15; sponsored by Guinness.

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Galerie Schmit. French masters of the 19th and 20th century. For the 25th anniversary of his yearly exhibitions Robert Schmit has assembled an impressive collection of paintings. There are works by Pissarro, Degas, Delacroix, Cezanne, Gauguin, Manet, Monet, Renoir and Picasso. 396, Rue Saint-Honoré, closed Sundays and lunchtime, ends July 18 (42603636).
Bagatelle Chateau and Trianon. Vienna 1815-1848 – the Biedermeier period. Vienna's museums have lent some 250 pieces of furniture, porcelain, paintings and objets d'art for an exhibition of the style which expressed the Austrian capital's changed mood after the turmoil of Napoleonic wars – the Biedermeier style. Bois de Boulogne. Ends August 15 (45012010).
Galerie Odermatt-Cazeau. 19th and 20th Century Masters. A thread of excellence runs through the exhibition, which begins with the impressionists. Ends July 28 (42669258).
Petit Palais. James Ensor 1860-1949. A retrospective of 100 paintings, 130 drawings and etchings brings to mind Ensor's provocative boast of "I am mad, I am stupid, I am nasty". Closed Mon, ends July 22 (42651273).
Musée Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. Closed Mon, ends July 1 (42722113).
Musée d'art Moderne de la Ville de Paris. Kees Van Dongen. 132 works retrace the career of the painter who, as one of the *Fauves*, enjoys provoking the public with daring juxtapositions of violent colours, charcoal contours and green shadows. 11, Ave President Wilson, closed Mon, late closing Wed. Ends June 17 (47236127).
Grand Palais. Pre-Columbian art in Mexico (1500BC – AD1521). Some 130 exhibits from Mexico's archaeological museums bear witness to the high degree of artistic development of the ancient civilisations of the Mayas and Aztecs. Closed Tue, late closing Wed. Ends July 30 (42895410).

Brussels

Hotel Communal de Schaerbeek, Place Colignon – treasures of the commune. Works by Constantin Meunier, Jef Lambeaux and other Brussels artists of the 19th and 20th centuries, daily except holidays. Ends June 11.
Isy Brachot. Portrait of the Pace gallery of New York. Calder, Dubuffet, Picasso, Rothko and others. Ends June 23.
Musée d'Ixelles, 71 Rue Jean Van Volsem. La Poetique des Peintres Italiens a l'Aube du XXe Siècle. Closed Monday. Ends July 15.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Permeke and Van den Berghe. Closed Monday, ends June 10.

Antwerp

Anthony Caro: monumental sculptures. Huis Osterrieth, 85 mair. Closed Sun, ends June 22. Rembrandt Bugatti and Belgian Animal sculpture (1880-1930) closed Monday ends July 29. Hessenhuis, 53 Falconrui.

Rome

Braccio di Carlo Magno in Piazza San Pietro: Michelangelo and the Sistine Chapel. This exhibition marks the end of a 10-year project by Vatican restorers on the ceiling of the Sistine Chapel. Remarkable for the exceptionally generous opening hours (open every day except Wed and on Sat from 9.30am to 11.00am) and handsome catalogue, the exhibition also carefully documents the techniques used and the difficulties encountered by the restorer. Ends July 10.
Palazzo Venezia: Art for Popes and Princes of the 17th and 18th centuries. Over 70 large and exuberant canvases from the country seats of popes, cardinals and the Roman aristocracy.
Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective: in a labyrinth designed by the artist himself and built in the gallery's workshops are hung a series of exquisite drawings and paintings, which move from a group of baroque drawings of Naples, to intricate metaphysical works in pastel shades. Ends Sept 16.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. Over 200 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Ends Sept 2nd.

Munich

Kunsthalle der Hypo-Kultur-Stiftung, Theatinerstr. 15. Joan Miro a collection of scurrilous sculptures and previously unpublished drawings by Miro will be on display in Munich's Kunsthalle until June 17.

Vienna

Museum für Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velasquez. Mostly portraits. Ends June 30.
Academia de Bellas Artes de San Fernando. Marc Chagall. Covers the period between 1951-1964 focusing on Chagall's graphic production and includes 60 lithographs and 40 etchings illustrating texts by Andre Malraux and Louis Aragon. Ends June 2.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.
Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon with works dating back to his figure studies of the 1940s. Ends Aug 28.
Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums, covers Poussin to Matisse. Ends July 29

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.
National Gallery. More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific. Ends Sept 3.
National Museum of African Art. The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation. Ends Aug 26.
National Museum of Women in the Arts. The first major retrospective of the work of Dame Elizabeth Frink includes 60 sculptures and 25 drawings. Ends July 4.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementos and personal effects of the Great Emancipator.
Chicago Historical Society. A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver. Ends June 17.

Tokyo

Sogetsu Gallery & Hall. Yoko Ono. Her first exhibition in Tokyo in more than two decades: mainly sculptures and works in paper. Twenty of her films are also being shown.
Teien Museum. Mezzotints by Japanese artist Yozo Hamaguchi: mainly still life subjects. The museum is housed in a superb art deco building and has a fine garden. Ends June 3.
National Museum of Modern Art and Crafts. Van de Velde: furniture, architectural plans, pottery, silverware and photographs by the Belgian Art Nouveau designer. Closed Mondays.

SALEROOM

Ceramics all geared up

Christie's is having an amazing success selling off the English ceramics collection that the late Tom Burn assembled in his house, Rous Lench. The saleroom was hoping for over £1m from two days, but made £2.13m on the first, with less than 1 per cent unsold. Yesterday morning it added another £510,000, with under 2 per cent bought in.

To join its Tuesday record of £176,000 for English pottery, it set a new high for English porcelain when the London dealer Brian Haughton paid £93,500 for a pair of "Girl in a swing" white candlestick figures, modelled as a fisherman and companion, made around 1750. Haughton purchased a pair of white Bow figures of the actors Kitty Clive and Henry Woodward in a scene from Garrick's farce, *Lethe*, for £35,200, and the same sum secured an English porcelain white bust of George II, perhaps made in Liverpool. It sold for £1,150 in 1956. Obviously the dealers are stocking up for the Ceramics Fair which opens on June 8 at the Park Lane Hotel.

Some of the steam has gone out of the garden statuary market, and most items sold at Sotheby's Billingshurst at or below estimate. One star was a mid 18th-century lead model of Neptune, five feet high, which made £39,600 as against a £15,000 top estimate. In the afternoon a French white cast iron bridge of around 1870, 976 cm long, did very well at £41,800. But there were no takers for an iron lamp post base from London's Embankment or for the cast iron gates removed from the entrance of Southampton Harbour Board.

An American collector paid a record £63,800 for a marine painting by William Wyllie at Sotheby's. It showed Spithead with the Emperor of Germany and the Prince of Wales inspecting the "Teutonic."

*

The five winners of the National Art Collections Fund's £5,000 prizes for outstanding achievements in the administration and interpretation of the visual arts for 1990 were Rosalind Savill, for her catalogue on the Sevres porcelain in the Wallace Collection; Chloe Blackburn for the artworks she has put into Arlington House, a hostel for homeless men; "Art in the making," the National Gallery's exhibition of technique in early Italian paintings; the work of NADFAS Church Recorders in recording the treasures in the 17,000 churches in England and Wales; and the Edward James Foundation, at West Dean. The awards are sponsored by Slough Estates.

Antony Thorncroft

FINANCIAL TIMES

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An Arab cry of pain

THE ARABS are not at their best at summit conferences. The need to reach a consensus among 20 or more sovereign governments, several of which are not normally on speaking terms, imposes great strains. In the end it is always easier to agree on rhetorical denunciations of Israel and its western supporters than on a programme of constructive (or even destructive) action.

One of the objectives that Arab leaders periodically set themselves at such conferences is to improve worldwide understanding of their cause. More often than not the summit itself has the opposite effect. Anti-Zionist bombast and sabre-rattling make good headlines. Moderation couched in painfully negotiated code language does not.

Moderation is in any case not an easily marketable commodity in the Arab world just now. Most Arabs feel that it has been tried and found wanting. The Palestine Liberation Organisation's decision to accept explicitly Israel's right to exist, hailed in 1988 as a historic breakthrough, has brought the following results: a "dialogue" with US diplomats; a visit from a junior British foreign office minister; an Israeli offer to hold talks about autonomy with elected representatives of the Palestinians in the Gaza and the West Bank, excluding residents of Jerusalem and excluding anybody publicly identified with the PLO, on condition that the "uprising" (i.e. demonstrations and stone-throwing by teenagers) in the territories is first halted; and a proposal from the US for preliminary talks in Cairo between Israelis and non-PLO Palestinians.

Israeli crisis

That proposal in turn provoked a political crisis in Israel which now seems likely to end in an even more intransigent government. Meanwhile the influx of immigrants from the Soviet Union strengthens Israel's demographic position and provides it with an additional motive to hold on to the territories, even if its denial of any plan to settle the new arrivals there is sincere.

Some of these developments have drawn unusually sharp criticism of Israel from the US, but they have not so far led to any reduction in US aid. So it is not altogether surprising that Arab rulers, most of whom have to contend with opposition from Islamic militants at home, feel that moderation has paid few dividends, and that the time has come to give public vent to their anger.

Some of them remember that the world took more notice of their grievances in 1973, when they came close to defeating Israel on the battlefield while drastically cutting back oil production. Hence the applause for President Saddam Hussein's threats to "use weapons of total destruction;" and hence the collective threat, in the communiqué issued yesterday at the end of the Baghdad summit, to "take political and economic measures against whichever country recognises Jerusalem as the capital of Israel."

Defensive threats

Yet such threats are essentially defensive. Mr Hussein is only promising to retaliate in kind "if Israel attacks." He well knows that chemical weapons, useful as he may have found them in staving off Iran's "human waves" or in terrorising his hapless Kurdish subjects, cannot be used to "liberate" any part of Palestine, nor yet to halt the process of Jewish settlement. He and his colleagues also know that today's oil market affords them nothing like the leverage they enjoyed in 1973 – which is why in the end they threatened sanctions only of an unspecified nature, and only in a relatively improbable contingency.

Yesterday's statement was above all a cry of pain, partially stifled by Egyptian anxiety to avoid making matters even worse. The whole discussion, moreover, has been about means. The end, getting Israel to accept a negotiated compromise peace which would leave it in possession of its pre-1967 territory, remains unchallenged – though it is challenged daily by Islamic militants in the alleyways of Gaza and the West Bank, and indeed of Cairo. The Arab world's present leaders are still asking for peace, even if desperation makes their voices sound bellicose. The same may not be true of their successors.

The auctioning of students

THE CASE for large public subsidies for higher education is not in doubt. But the principles that should govern the distribution of central funds remain a matter of considerable controversy. In the 1980s – a period of fiscal stringency – the UK Government sought to improve cost efficiency by conducting numerous "performance" reviews. Departments that were deemed inefficient or surplus to overall national needs were closed or merged with larger departments in other institutions. This approach was criticised as excessively paternalistic and incompatible with the emphasis on market forces favoured elsewhere.

The Government, partly in response to this criticism, is about to embark on a radical new method of funding, somewhat akin to that of a fine art auction. The Universities Funding Council has announced a series of "guide" prices for different academic disciplines, ranging from £2,200 per student for social studies to £9,400 for dentistry. The guide prices are the maximum that the UFC is willing to pay for different types of higher education. Vice Chancellors have until June 22 to submit bids for student numbers. In theory, the universities which offer the lowest prices will be awarded the largest number of students.

Unpopular system

The new system is proving highly unpopular with universities. Vice chancellors complain that the guide prices are too low, partly because they fail to reflect recent inflation. They argue that bids below guide prices will prove self-defeating in the long run because they will encourage lower levels of future funding. On present plans, future guide prices will be based on the average cost of places awarded in previous years. In all probability, therefore, the bulk of student bids wi" be placed at the guide prices. However, institutions that want to expand in certain subject areas have a clear incentive to place low bids for additional student places.

At first glance, the new system has several attractive features. Relative to previous arrangements, it makes a virtue of objectivity and transparency: for the first time everybody knows precisely what value the Government places on different types of education. Cross subsidies between university departments will thus be much harder to justify. The system also exploits to the full the Government's monopoly power as a purchaser of university education. By encouraging a reallocation of students from high to low cost institutions, it should generate some cost savings. However, after a decade of austerity, ministers may discover that there is surprisingly little fat left to trim.

Important drawbacks

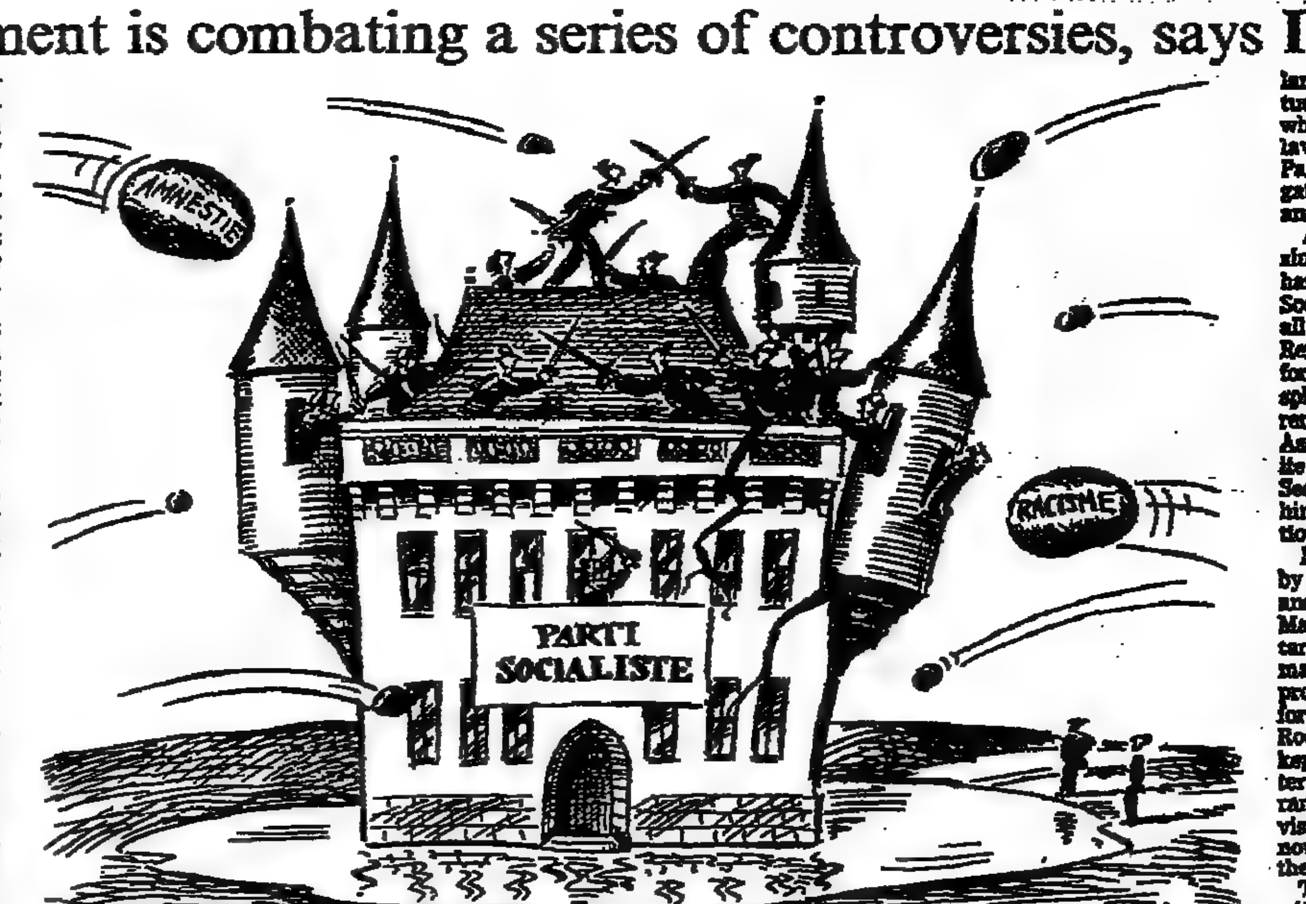
But there are also important drawbacks. The most obvious is that the emphasis on price seems likely to lead to a reduction in the average quality of a university education. Many institutions that make low bids will discover that they can survive only by following the polytechnic example and allowing staff-student ratios to fall.

The more fundamental objection is that the Government is relying on quasi market forces rather than the real thing. In the commercial world, resource allocation decisions are not made on the basis of a blind auction in which none of the participants know what the others are planning. If ministers are serious about introducing market forces, they should fund universities via students. Instead of announcing guide prices, the Government could issue vouchers of equivalent monetary value and allow universities to compete for students – and funds. In such a system the power of buyers and sellers would be more equal and there would be a greater incentive to compete on quality as opposed to cost alone.

Vouchers would be preferable to blind auctions. But they would not provide an escape from the fundamental dilemma facing UK universities. This is that the Government wants to boost student numbers without significantly raising public spending. The circle can be squared in only two ways: by a reduction in quality or by the introduction of supplementary tuition fees. These are unpalatable options but they deserve to be debated more widely.

The Government is combating a series of controversies, says Ian Davidson

French Socialists under siege



For the first two years after their reconquest of the Government in 1988, the French Socialists looked increasingly confident, competent and successful. The President was remarkably popular, the Prime Minister was remarkably popular, and the economy was steaming ahead, with a steady decline in inflation and a slow decline in unemployment.

The Socialists' main problem was that they were short of a majority in parliament: but since the conservative parties were in apparently permanent disarray, it did not look as though the Government was likely to face any serious threat from the opposition.

In the space of the past few weeks, however, the feel of the political situation has changed rather dramatically. The President and the Prime Minister have tumbled spectacularly in the public opinion polls, the Government has been driven onto the defensive by a wave of controversies, and it no longer looks as confident, or as competent, as it did.

Objectively, the situation is still favourable. The economy is doing fine; the strength of the franc is giving solid credibility to the French drive for political as well as monetary union in the European Community. And even if the Government is going through some choppy water, it seems to be permanently protected by the unchanging disarray of the opposition parties to right and left.

Indeed, there is a kind of tragi-comedy about the confusion among the conservative parties, which seem determined to perpetuate the divisions that caused their past defeats. The paradox is epitomised by the feud between two elder statesmen, both of whom have already suffered presidential defeat by Mr François Mitterrand.

Mr Jacques Chirac has not fully recovered his bounce since his presidential setback in 1988, but he still manages to mobilise the Gaullist party machine to smother the challenge of younger reformist politicians. Former President Valéry Giscard *d'Estaing, by contrast, has recovered* so well from the trauma of *his* defeat in the 1981 election, that he is now determined to have another go at the Elysée Palace in 1995. Both proclaim the obvious, that the right cannot win unless it is united; both would rather die than give way to the other.

Despite the Government's objective advantages, it is hard to escape the impression of an almost palpable malaise. Three recent episodes have contributed to it, but it seems to rest on deeper, less tangible foundations.

The immediate cause of this atmosphere is the storm which erupted over the desecration of the ancient Jewish cemetery at Carpentras in the south of France earlier this month. Self-evidently the Government was not to blame, but the scandal has nevertheless stirred up a whirlwind encompassing anti-semitism, racism, immigration, Islam, xenophobia and political asylum. This whirlwind has not yet blown itself out.

Carpentras has stirred up a whirlwind of anti-semitism, racism, immigration, Islam and political asylum

Just why the outrage at Carpentras, presumably directed against Jews, should have released an upsurge of national angst about immigration, where the most frequent targets of hostility are Moslems from North Africa, is still something of a mystery. One explanation is that anti-immigrant feeling lies close to the surface in France today, and can be released by any emotive incident conjuring up conflicts of national identity.

In turn, it is sometimes suggested *that anti-immigrant feeling* has been intensified by the convergence of other stresses not specifically related to immigrants: unemployment, industrial restructuring, falling rural incomes, the prospect of stiffer competition in the Single European Market. *At all events, Mr Jean-Marie Le Pen,* leader of the extreme right-wing National Front, has built a successful stock-in-trade out of attacking Jews, Moslems and the EC.

Politicians and commentators protest daily, no doubt sincerely, that *France is not a racist country.* But the entire political establishment responded to the Carpentras scandal with something approaching panic.

The conservative parties have attempted to ward off the perceived threat from the ultra-right-wing National Front by taking a much more flagrantly anti-immigrant line in public than before. The Socialist Government, for its part, has been hard put to it to resist this xenophobic drift on the right. In a specially-staged National Assembly debate on immigration, Prime Minister Michel Rocard has repeated that his Government will not try to give immigrants the vote in local elections, but the opposition parties are baying for tougher new measures to keep out immigrants and tighter curbs on the acquisition of French nationality.

But the immigration row is only the latest in a series of squalls. One subject which has generated almost as much heat is the ruling party's ham-fisted efforts to deal with corruption in local government through what has become known as the political amnesty law. Earlier this month, the controversy looked as though it might bring down the Government.

The issue of the political amnesty was a time-bomb waiting to go off. Its fuse was ignited in 1982 with the decentralisation laws which distributed more *budgetary powers to local* authorities. These laws had three consequences: the 36,000 mayors became more powerful in the political firmament; the incentives for building up local party machines became stronger; and opportunities multiplied for strengthening party finances through local corruption.

By 1988 and 1989 police investigations were starting to reveal a massive network of corrupt mechanisms for feeding party war-chests, which seemed likely to implicate hundreds, possibly thousands, of local politicians. In a typical scheme, a construction company would supply money to a local political party through a shell consulting firm which would give the company fake or padded invoices in return. The extent of the scandal, and the scale of prospective prosecutions, meant something had to be done.

For much of last year, the Government and the Socialist Party agonised over how best to neutralise the problem. The Government's strategy was obvious: it would put forward a more stringent law to control the raising and spending of political party funds, and it would tack on an amnesty for offences committed under the old, unsatisfactory law. In fact, of course, the law had not been all that unsatisfactory: it had just been broken. The transparency of the ploy was so evident that the Government repeatedly hesitated to lay it on the table.

At the end of last year, however, the Government finally bit the bullet and tabled its new party finance law, with an amnesty duly tacked on. The compromise adopted to salve the conscience of the party bosses was that the amnesty would not apply to cases of corruption or personal enrichment, and would not apply to nationally-elected party politicians.

The ruling party's public calculation was that in exempting National *Assembly members, it could not be* accused of protecting senior politicians. On the other hand, if the amnesty applied to everyone else, no evidence for a case could plausibly be stood up in court against a member of the National Assembly.

Whatever the Government's real calculations, they backfired badly. At the beginning of this month the Paris Court of Appeal committed nine men for trial, including four construction company employees and five party activists involved in shell consultancy firms accused of channelling money to political parties.

The legal reasoning behind this judgment remains obscure, but it seems in part to have been politically motivated: it shows that the magistrates are incensed by the amnesty, and determined to bring prosecutions where possible. Following the committal decisions, the conservative political parties also tabled a motion censuring the Government.

In the event, on May 9, the censure motion fell well short of the necessary majority. After a long show of hesitation, the Communists abstained; but even if they had voted for it, the Government would still have been saved by a handful of abstentions by centre-right independents.

Some commentators concluded that the vote was a cast-iron indicator of the Government's long-term prospects of parliamentary survival: this was the ideal platform for a moral attack on it, and if the Communists were not prepared to vote with the right this time, they would never do so. Without Communist support, however, the conservatives would never bring the Government down.

In the eyes of public opinion, however, the long seamy episode has reflected serious discredit on the political establishment, and especially on the Socialist Party. Though there is a large measure of hypocrisy in the attitude of the conservative politicians, who did not all oppose the amnesty law, the fact is that the Socialist Party machine had set up a money-gathering system on an heroic scale, and everybody knows it.

Another important factor in the slump in the Government's fortunes has been the power struggle in the Socialist Party, which erupted in an all-out battle at the party congress in Rennes in March. The majority clan formerly led by President Mitterrand split irrevocably into two, when Laurent Fabius, Speaker of the National Assembly and Mr Mitterrand's favourite son, tried to take over the Party Secretary-ship, and thus to position himself for the next presidential election, scheduled for 1995.

In the event, his attempt was foiled by the joint resistance of the present and past party leaders, and Mr Pierre Mauroy kept his seat as Party Secretary. In making his assault, Mr Fabius made numerous enemies, and has probably lost his chance of running for the presidency. By contrast, Mr Rocard did well from the congress: he kept his minority clan out of the Mitterrandists' struggle, and Mr Mitterrand later ruefully conceded in a television interview that Mr Rocard was now well placed to lead the party into the presidential race.

These shifting personal fortunes within the Socialist Party could not disguise the unpleasant fact that the power struggle was conducted in nakedly personal terms. Mr Rocard's position in the Socialist Party may now have been indirectly brought into line with his position in the country, where he has long been the strongest candidate to win the next presidential election. But the effect of the Rennes congress has been to reinforce the impression that the party lacks colour, ideas or ideology, and has been reduced to a machine for party careerism and for middle-of-the-road managerial government.

In practical terms, such managerial government may be what France needs, and it certainly seems to be paying off in economic terms. If the lack of a parliamentary majority is an inconvenience, it also reinforces Mr Rocard's natural instinct to search for consensus towards the centre, and to avoid gratuitous ideological conflict.

But a recent poll in the conservative newspaper Le Figaro gave an eloquent picture of popular disillusionment: 46 per cent think politicians are corrupt, 65 per cent think politicians pay no attention to ordinary people, 39 per cent think politicians are concerned *only with their own interests,* and 47 per cent criticise politicians for their personal rivalries. In terms of individual contenders for the presidency, this feeling may not in theory damage the Socialists: a recent Paris Match poll shows Mr Rocard comfortably beating either Mr Chirac of the Gaullists or Mr d'Estaing in a second-round run-off.

The Socialist Party machine set up a money-gathering system on an heroic scale and everybody knows it

But in terms of a parliamentary election, the outlook is less cheerful for the Socialists, and no more cheerful for the respectable right. The Paris Match poll gives only 37 per cent to the Socialists and Communists, and only 35 per cent to the combined forces of the Gaullists and the centre-right. The ecologists would get 12.5 per cent and the extreme right-wing National Front 15.5 per cent. Somehow or other, the respectable political establishment needs to improve its image and its appeal before the next general election in 1993.

OBSERVER

Other side of reform

■ East Germany has taken to stripping. In the old days there were hundreds of kilometres of nude bathing beaches, but Erich Honecker, the 76-year-old former leader, tended to equate pornography with imperialism.

Now it is all changing. In East Berlin's Akaziengrund bar, an "early strip" performance at 5 am is designed to attract workers coming off the night shift. The first state-licensed stripper, a comely East Berlin girl who appeared before a board of examiners, went into action earlier this year under the reformist Communist rule of Hans Modrow.

At the same time, a young dental assistant in Magdeburg made the inside fold of Playboy's German edition. The picture was reprinted even in Neues Deutschland, the formerly staid Party newspaper. Pornography, however, was still banned and East Germans had to satisfy their curiosity in the shops of West Berlin and West Germany. Now Beate Uhse, the leading West German purveyor, has taken to supplying East Germans by mail and plans to blanket the country with retail outlets in the next year or so. The newly-founded East German Sex League is demanding a modification of the porno ban and wants to put out a magazine called Sexclusive next month.

I am reminded of an old East German communist who said when the Berlin Wall came down that he supposed reform *would be all right, provided* it didn't mean letting in Beate Uhse.

Still hawkish

■ Caspar Weinberger, the former US Defence Secretary, has become no less hawkish since he left office, which is odd for such an amiable man. He thinks that President Gorbachev will be out on his ear within the next few months, that the uncertainty makes it essential for the US to keep up its guard, and he is critical of defence cuts that have already been made.

Weinberger ran the Pentagon from 1981-88 during the Reagan Presidency. He was in London yesterday to launch his aptly titled book Fighting for Peace. While here he can be properly called Sir: he was knighted for his services to Britain during the Falklands War. Without the logistical help that the Americans provided – under his prompting – the islands might never have been recaptured.

Gorby's walk

■ The era of the spontaneous Gorbachev walkabout is over, judging by the tightly organised crush which edged the Soviet leader and Mrs Gorbachev along an Ottawa pedestrian mall on Tuesday.

It was not an unscheduled stop on a busy city street, such as the one which endeared the Gorbachevs to the citizens of Washington last time. The Sparks Street mall is a pleasant shopping area in the heart of civil-service Ottawa. It is normally deserted soon after offices and shops close.

The Gorbachevs, who arrived at 7.15 pm, would not have had an audience if office workers and passers-by had not been attracted by crowd-control barriers put up earlier *in the afternoon, Canadian* Mountie snipers on nearby rooftops and a hovering police helicopter.

In an apparently unplanned part of the exercise, the Gorbachev motorcade, consisting of four motorcycle escorts, 28 cars and an ambulance, came to a stop almost 100 yards beyond the barriers. Unable to reverse, the Gorbachevs had little choice but to start their walkabout on the fringes of the crowd close to a handful

"I'm the British beef early warning system."

of Baltic protestors carrying Lithuanian and Estonian flags.

But whatever was lost in spontaneity was made up in the time the Gorbachevs spent at the mall. Hemmed in by dozens of Canadian and Soviet security people, they took an hour to move along a single block. They shook hands, exchanged pleasantries and answered questions ranging from Afghanistan to Germany. Even the Baltic protestors were impressed. "We're trying to be as visible as possible in as polite a manner as we can," one Lithuanian organiser said.

The Gorbachevs went for a more sedate walk to the Canadian Parliament yesterday.

Banks galore

■ After the recent official opening of I.M. Pei's cloud-scraping Bank of China office in Hong Kong, yesterday was the turn of Standard Chartered Bank. Its new regional head office is in an Italian marble-clad off-brown tower block. Local commentators on architecture do not rate it highly.

It stands on a tiny plot next to Norman Foster's Hongkong Bank headquarters and looks as though it was designed by a committee briefed to be traditional and bland in contrast to its starkly functional neighbour. A dramatic design for a pyramid-pinnacle shape, which would have been taller than the nearby Bank of China's 70-storey tower, was abandoned.

Planning restrictions on height blocked the last few floors needed for it to continue with an old Hong Kong war and be just higher than the Hongkong building. So there is a thin tall slab on top, containing a few water tanks, which raises the roof a few metres above the neighbour.

Sir David Wilson, the Governor, can be none too pleased because the building has blocked one of Government House's last remaining views of the harbour. Officially, however, he always claims such losses are worthwhile because it means another bank has been built in the colony.

Improving

■ We *keep getting letters* telling us that we cannot write, cannot spell and are generally uneducated. It is therefore gratifying to hear from Don Peters, one of our more persevering correspondents, that we are getting better. Peters notes that the words "glitch" and "glitzy" have not been used for some time: we now use the word "protagonist" correctly and Peters raises only one complaint about the entire issue of May 29. An article from California used the term "off bounds", when he would have preferred "off limits" or "out of bounds."

Sales talk

■ What's the difference between a Skoda and a Jehovah's Witness? You can shut the door on a Jehovah's Witness.

ECONOMIC NOTEBOOK

Time to cheer up a little

By Samuel Brittan

Recent events have reminded us forcefully of the difficulty of curbing the strong spending propensity of the British consumer and the slow rate at which the British economy is cooling off.

But we should be beware of a tendency to go to the other extreme. Base rates of 15 per cent are taking their toll; and if they are combined with the new official tendency to talk sterling upwards, clearer signs of a growth recession should soon be here. This means that output will not necessarily drop, but rise by well below the growth of capacity, with an increasing margin of spare capacity and a cooling off in the labour market.

Moreover, the high poll tax and high interest rates which have made the Government politically unpopular must also have made the consumer feel poorer. Otherwise there would be a consistency problem. By the same token the worst possible news from the Treasury would be too rapid a recovery in Government popularity.

But there are two more orthodox indicators to make economic managers, if no one else, cheer up a little. First the Gallup Consumer Confidence Indicator, published by Goldman Sachs, has since last autumn been fluctuating around a record low, with negative balances of 25 to 30 per cent. This is less than in the 1980 recession.

They come, rather, from changes in the composition of the unemployed. Many studies suggest that it is mainly short-term unemployment which is relevant to inflation, and that those who have been out of work for a long time are not effectively part of the labour force from the point of view of economic policy.

UK short-term unemployment is not yet rising, but it has been falling much less than the long-term variety, as the chart shows. The means used to bring about this change are a mixture of desirable encouragement to the long-term jobless, and more questionable pressure to force them off the books.

One early warning indicator, suggested by Chris Dillow of Nomura Research Institute, is to look at the inflows of new entrants on to the claims register compared with a year ago. These are relatively unaffected by special employment measures, and have been rising since the beginning of 1990.

Productivity trend

The most fundamental measure of supply side performance is not, however, in the Chancellor's problems of balancing the economy, but in underlying productivity. Here the May National Institute Economic Review does have a piece of analysis which brings a little cheer.

It has long been known that manufacturing productivity has spurted ahead in the 1980s compared with the 1970s. The main dispute has been not about the productivity improvement but the reasons for it. The sceptics see it mainly as a result of the depth of the recession of the early 1980s when manufacturing employment fell by more than a fifth. They regard it as a temporary shock whose effect would wear off as the level of activity returns to normal. One analogy is that if the two worst men leave a cricket team, the average productivity of the remaining nine will increase.

Mr Oulton has made the most detailed study so far, which goes beyond the usual aggregates to compare the performance of 94 industries. He does indeed find that the shock of the recession made a lot of difference. The bigger the shock experienced, the bigger the subsequent productivity improvement. Nevertheless, its role was far from dominant.

He is left with an acceleration of about 4 percentage points per annum between the 1970s and 1980s, not covered by the usual explanations. He attributes between a quarter and a half of the jump to "a decline in the disadvantages of unionisation."

Comparing one industry with another and allowing for other influences, the author concludes that the higher the degree of unionisation the lower was productivity growth. On the other hand, unionisation had a *smaller* influence on productivity in the 1980s than in the 1970s, an effect he attributes to union reform or changed attitudes.

There are two main objections to the thesis of a fundamental productivity improvement. One is that given by Gavyn Davies in recent issues of the Goldman Sachs Economics Analyst. This is that the behaviour of the British economy, including its productivity, since the Government started to squeeze demand in 1988 is no different from the slowdown phases of previous economic cycles.

I should rather wait until this phase is completed and later estimates of productivity – which are usually revised upwards – are obtained. But even if end-cycle performance is no better than in the past, it will not outweigh the improvements of earlier phases.

A more serious objection is that it was the low productivity of the 1970s which was exceptional and needs to be explained. Two other NIESR economists have explained the difference between the two decades in terms of labour hoarding in the 1970s and more rapid real wage increases in the 1980s, which made new investment more labour-saving than in the past but also made "labour productivity growth a bad guide to underlying efficiency".

The key, in my view, lies in the differing reaction to the two oil-price explosions of 1973 and 1979-80, which form the background to all recent economic history. The British governments of the 1970s, like some other governments, tried for a time to accommodate inflation and encourage employers to hoard unwanted labour. In the 1980s, by contrast, most governments refused to accommodate inflation or overmanning.

Absolute values

Many readers must be as fed up as I am with discussions of productivity in terms of modest annual rates of change which do not say from what level the change is starting. For we know that the UK started the 1980s with productivity below that of its leading trading partners.

Indices of absolute performance are, however, much more difficult to estimate than growth rates; and it is important to compare countries' output at exchange rates which equalise purchasing power.

These problems help to explain the circulation of much exaggerated accounts of the adverse absolute gap between the UK and other countries. A little while ago I was extremely puzzled to see references to German productivity levels in manufacturing being twice British ones. Such estimates were even used by Cabinet ministers for exhortation.

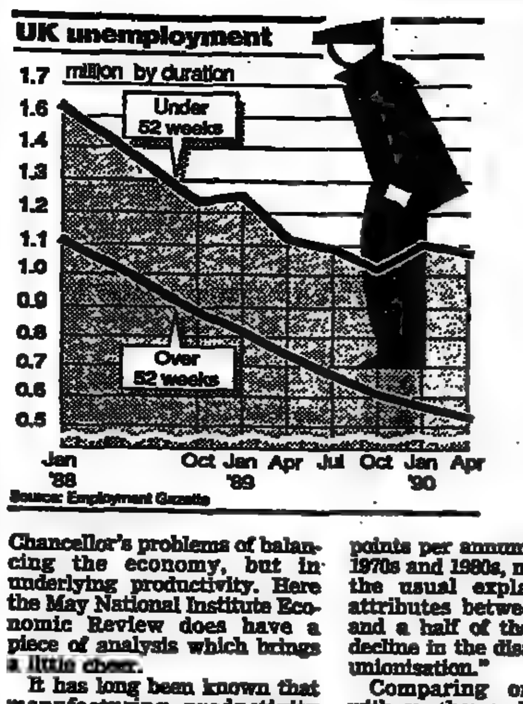
These alarmist comparisons, nevertheless, contrasted sharply with data published by the National Economic Development Office showing a gap of only about 20 per cent between Germany and Britain, but a large remaining gap between all European countries and Japan, on the one hand, and the US on the other.

Being disposed to take figures seriously, I managed to trace the more unfavourable comparisons to a table in the November 1987 NIESR Review. According to NEDO, the NIESR had used out-of-date 1973 purchasing-power parity exchange rates to evaluate British output.

In a letter to me, Mr George Ray, of NIESR very generously accepted the point, adding that the productivity figures had been simply used as an input in a study devoted to comparative labour costs. He added: "For your purposes, NEDO estimates (derived from OECD) are, of course, preferable, not only because of the inclusion of PPPs but also because they are more up to date."

Of course, productivity estimates only take us part of the way. Do the very moderate discrepancies shown in the table reflect adequately the shabbiness and bad service so evident in many areas in Britain? And is the US standard of living in any meaningful sense 40 per cent higher than Germany's (or Scandinavia's, which is not shown in the table)? High productivity is a necessary but not a sufficient condition of a decent modern society.

UK unemployment



Source: Employment Gazette

Comparative productivity levels

UK=100

	GDP per capita 1987	GDP per worker 1987	Manufacturing output per worker 1985
France	104	121	127
W.Germany	108	114	122
Italy	99	121	117
Japan	107	97	116
US	149	141	167

Source: S.Brittan, "The Government's Economic Policy" p.18, in *The Thatcher Effect* (ed. Kavanagh & Seldon) Oxford, 1989

Labour productivity in UK manufacturing

	Mean growth (% per annum)
1973-76	-1.78
1976-79	2.31
1979-82	3.80
1982-85	5.53

Source: NIESR

BOOK REVIEW

Turning up the heat on global warming

DEAD HEAT
by Michael Oppenheimer and Robert Boyle
Basic Books, $19.95. To be published in Britain in August by I B Tauris, £14.95

Philosophers of science have identified a simple distinction between human societies and the natural world. Predicting an event can affect the event in the former, but not in the latter. Announcing an imminent eclipse of the sun will not change the course of the heavens, while predicting a labour shortage can be instrumental in preventing such a shortage from happening.

Michael Oppenheimer, a scientist who works for an environmental organisation in New York, and Robert Boyle, a US journalist, have written one of of the first in what is bound to be a flood of books on global warming. Their work is packed with predictions concerning the effects of a rise in global temperatures caused by the build-up of greenhouse gases in the atmosphere.

Martha, the last polar bear in the world, will die in a Cincinnati zoo on September 1, 2046. More than 30 per cent of farmland in the US south-east will have been abandoned by 2015, while drifting sand dunes will bury much of the western plains. The hike in temperatures will force the Miami Dolphins to move their base to Calgary, requiring a hitherto unsuspected degree of geographical sophistication among American football addicts.

It would be easy to scoff at these prophecies grouped together in the book's first chapter, apocalyptically entitled The End. But its calamitous forecasts have a point. The authors clearly intend them not to occur. They hope that by forecasting a dire picture of life in a warmer world, they will influence politicians and the general public to take the measures necessary to avoid this outcome.

Yet global warming is different from most other problems with which human societies have grappled. Although man-made, it is only partly within human control. Judged against the test of whether a prediction can affect an outcome, global warming is an occurrence uneasily poised between the natural and human world.

For even if all the man-made emissions of greenhouse gases were to cease tomorrow, past emissions would still continue the warming process. The earth is inescapably bound to warm up because some of the most important greenhouse gases, including carbon dioxide, linger in the atmosphere for up to 200 years.

The book calmly exposes the irreversible aspects of global warming. It was written long before the results of the United Nation's Intergovernmental Panel on Climate Change became known, but its factual account of the science of warming is not much out of line with the intergovernmental panel's report published last week. That report, predicting a rise in average global temperatures of 3 deg C above present levels by the end of the next century, prompted Mrs Thatcher's call for action by the world community.

Oppenheimer and Boyle are partisans on the global warming issue. But their commitment does not blind them to some of the uncertainties – about whether the warming this century has been due to the build-up of greenhouse gases; about the reliability of past temperature measurements; about the inability of the most sophisticated climate models to predict the impact on individual regions; and about the complicated feedback mechanisms between clouds, oceans and ice packs.

The book is similarly sane when it discusses individual steps to curb the pace of global warming. More fuel-efficient motor vehicles, a tax on fossil-based energy, re-afforestation programmes, increased government support for research into renewable energy sources such as solar and wind, better public transport systems in large cities: each would help in dealing with other environmental problems, even were global warming a myth.

Sceptical juices begin to churn only once one reaches the book's larger purpose. The world cannot be saved unless we re-design the cities, the pattern of work, the transport systems, the underlying technologies and the forms of consumption which have characterised the twentieth century, say the authors. They attempt to make this millenarian onrush plausible by semi-digested appeals to the extended economic cycles popularised by Schumpeter and Kondratiev. Since the world coped with the passing of steam power at the start of this century, why should there be any problem in ditching fossil fuels at the start of the next?

Global warming is beginning to act as a vehicle for a complete eco-political project, just as the "oil crisis" did in the early 1970s. Twenty years on and the projections of the the ideal society have changed little, although a new jargon has been discovered: Oppenheimer and Boyle call for a "fifth wave" society, decentralised, robotised and based on computer-controlled customised production, in place of the boring old "fourth wave" – the one which brought us mass production, the motor car and air travel.

This unnerving mixture of dark forebodings and naive faith in human capacity for change reaches a pitch when the authors turn to the Third World. An additional 80,000 megawatts of generating capacity will be needed to provide every Indian family with a television, while China is planning to double its use of coal by the end of the century, they grimly remind us.

But not to worry: solar power (at present, hopelessly uneconomic) will allow the developing world to grow without adding to global warming, while the West will be happy to *give away* the next wave of environmentally benign technologies.

Oppenheimer and Boyle have written an excellent introduction to global warming. But both the course of global warming and the policy response to it will be messier and more confused than their lucid account supposes. One thing can be safely predicted after reading this book: the last polar bear will not die on September 1, 2046 and he will not be called Martha.

David Thomas

LETTERS

Raise the pension age for women

From Mr H.R. Wynne-Griffith.

Sir, The recent Barber case in the European Court highlights the need for the Government to do something about the unequal state pension ages for men and women.

May I propose a simple solution: the state pension age for women will be raised to 65. This will be done over five years (60 now, 61 next year etc). Any woman who is now aged 55 or over may draw the state pension from as early as age 60 but it will be reduced by, say, 20 per cent at 60, 15 per cent at 61 and so on.

This is a compromise between cost and simplicity. I suspect that very little political damage would result. Procrastination may well have some political advantage because it avoids making a tough decision – but that decision must be made – and soon.

H.R. Wynne-Griffith,
Barnett Waddingham & Co,
11 Tufton St, SW1

A new defence treaty to encircle the world

From Mr Geoffrey Budd.

Sir, Edward Mortimer's arguments ("Keeping up with the Germans," May 22) for study and negotiation by the West of a new European security structure, to include the Soviet Union, are compelling and it is difficult to add to them.

It is disappointing that there has so far been little or no public discussion here of a similar call by President Havel of Czechoslovakia, or of the defence implications of President Gorbachev's tentative but highly relevant earlier "common European home" message. We should surely be starting now to formulate constructive ideas in response to further initiatives of this kind from the East which may be on the way, or to launch proposals ourselves.

The continuing existence and vitality of Nato is, of course, an invaluable asset on which to build any such proposals. Its 40-year experience of operating an internationally integrated command structure is unique and at that level its extension to include the Soviet Union would probably prove to be a much-needed, and not unduly difficult, and morale-building exercise for both eastern and western forces, once the political umbrella of a solemn new northern defence treaty was in place.

The area covered by such a treaty might even not end at the Urals but encircle the world in our latitudes. In that event it would, by committing the forces of the superpowers as well as the new Germany to a worldwide (and incidentally unbeatable) ongoing defence system, achieve more for European security and arms reduction in general than anything that could conceivably result from continuing the now completely out-dated Vienna Treaty process.

Geoffrey Budd,
58 rue de Sèvres,
Boulogne, France

Competition in power generation

From Mr Richard Green.

Sir, Professor Littlechild's decision to allow more competition to sell electricity to large customers should be welcomed.

The prospects for entry by new generators depend on the balance between existing capacity and demand, more than on which company sells the electricity to a final customer. The area electricity supply companies are unlikely to suffer any significant damage, except in prestige, if the decision means that they lose more of their market share to National Power and PowerGen.

The price paid for electricity covers generation, distribution, and supply (marketing, metering and billing), and the companies are required to have separate subsidiaries for each activity. Supply accounts for no more than 5 per cent of the cost of electricity, and only about 10 per cent of the area companies' profits; figures which are likely to be lower in the more competitive market for large customers.

The bulk of the area companies' profits will come from their distribution networks, and their licences require them to charge the same price, and earn the same profit, whether they are distributing power for a generator, or for their own supply businesses. If the generators undercut the distributors on the final price by a large margin, it can only be because the generators' supply subsidiaries are buying power from their generating businesses at a price below that in the market for bulk electricity.

Since there are few profits to be made in supply, the area companies should not be unduly worried that the generators prefer not to sell their electricity for the best price that they could get. The people who might worry are the other consumers, for if the generators find it profitable to sell electricity for less than the price in the bulk electricity market, then that price must be significantly greater than the cost of generating it.

The key to greater welfare in that case is more competition in generation, as much as in supply.

Richard Green,
Department of Applied Economics,
University of Cambridge

The Soviet Union and the world trading system

From Mr Ivan Ivanov.

Sir, The Soviet Union's acquisition of observer status to the General Agreement on Tariffs and Trade (Gatt) gives it the right for the first time to participate officially in the activities of the steering and working bodies of Gatt and to attend its open sessions.

Apart from becoming involved in the formulation of world trade policy, observer status gives the Soviet Union access to Gatt's records and unique experience in foreign trade management, which will be essential for the competent drafting of Soviet foreign trade legislation.

The Gatt decision is also of considerable political significance, signifying support for perestroika and *de facto* international recognition of the current changes in the Soviet economy's management.

Indeed, the deciding factor appears to have been the Soviet leadership's decision to speed up the economic reform and move towards a regulated market economy. During consultations with the governments of the Gatt member nations, they were informed of these intentions on the part of the Soviet Union. Now that the plan for this transition is before the Presidential Council and the USSR Supreme Soviet, many of its details are clearly discernible.

The plan seeks further decentralisation in external economic relations, with a larger measure of autonomy for enterprises and a corresponding reduction in the participation of the state in operations in the world market. Beyond this, our main task is to regulate activities in this dimension using legal and economic instruments accepted in world practice.

In the context of a market economy, these will include a new Soviet customs tariff, and legislation on foreign exchange, investments and anti-monopoly laws. The pricing reform will bring domestic prices closer to world indices. On the basis of new prices, the calculation of the foreign trade exchange rate for the rouble, with a view to making it convertible, will become possible. However, export-oriented state orders for producers and quotas and licensing in foreign trade will remain in place for some time.

The Soviet market will thus be opening up to foreign competition and the Soviet players on the world trade scene will move to real cost-accounting, with all government subsidies eventually withdrawn.

All these measures are designed to galvanise the process whereby the Soviet Union is brought into a closer relationship with Gatt. Given the switch to market mechanisms, the country will be ready to become a full member of Gatt in the foreseeable future, with the Soviet market becoming an integrated part of the world market.

Yet a great deal of organisational work lies ahead. An assessment of the drafts of new Soviet legislation on external economic activities is being prepared by the Gatt secretariat. A Soviet mission at the Gatt headquarters in Geneva is being set up, and a joint commission is being formed to deal with Gatt-related issues in the Soviet Union.

By acquiring observer status at Gatt, the Soviet Union has taken an important step into the world trade system. Integration into it is now the order of the day.

Ivan Ivanov,
Deputy Chairman,
State External Economic Commission of the USSR Council of Ministers,
Moscow

FINANCIAL TIMES
Thursday May 31 1990

China dissidents keep protest alive

Students plan vigil on massacre anniversary, writes Peter Ellingsen

ALMOST a year after tanks rolled into Peking and crushed the embryonic democracy movement, China's dissidents are staging a comeback.

In the first challenge to authority since the June 4 massacre, three intellectuals will petition the Government for the release of political prisoners. Two of the three, Zhou Duo, an economist, and Gao Xin, an editor, were jailed after the June crackdown, while Hou Dejian, a songwriter, escaped prison by hiding in the Australian embassy for two months.

With the first anniversary of the killings less than a week away, authorities have already been unnerved by reports of Peking University students preparing to keep the spirit of protest alive with a candle-light vigil on June 4. Even though any public demonstration is unlikely, officials have warned against commemorations of any sort, and appealed to students to remain calm.

Sipping coffee in a government-owned hotel, Hou, 34, yesterday said he would not stay silent and would send the group's petition to the party's United Front Department today. "The Government must know about it by now," Hou said.

Glancing around the lobby, Hou leant forward and added: "We are not afraid of them. We want to build a new China, not by blood, but by reason."

Jail, and in Hou's case, isolation, has not dimmed the dissidents' interest in political change. Despite the danger of further reprisals, all say they will continue to back reformers within the party, predicting that unless significant concessions are made China will go the way of Romania.

"If [paramount leader] Deng [Xiaoping] and his comrades keep on suppressing peaceful evolution they'll push China into a bloody revolution," Hou said. "Even worse than Romania."

The three dissidents, along with imprisoned intellectual Liu Xiaobo, began a hunger strike in Tiananmen Square on June 2 last year, just before heavily armed People's Liberation Army soldiers launched their attack on the capital and its predominantly unarmed population.

Chinese soldiers marching across Tiananmen Square, yesterday, where security remains tight ahead of the first anniversary of the military crackdown last June

Hou fled to the Australian embassy but the others were arrested. Zhou, 43, was held in a guesthouse on the edge of Peking not far from Qincheng Prison, where many political prisoners are kept.

He was grilled about his alleged "behind-the-scenes" role in what, despite signs of qualified softening in the official hard line, is still classed as "counter-revolution". Zhou spent 10 months under arrest.

Gao, 34, editor of a student magazine at Peking Normal University, spent six months in prison before being released in December. He says he was kept in handcuffs for five weeks and fed only cornbread. Chain-smoking yesterday, Gao said overhead lights burned all night in his cell and it was difficult to sleep.

"I didn't know if I would get free," he said, "but after what I had seen in Tiananmen Square, I didn't really care."

Neither Gao nor Zhou was charged with any crime, despite Chinese regulations that limit detention without being charged to six months. None of the three has been able to find work.

Hou cannot get anyone to take his music; Zhou, a former leader of the innovative "Stone" computer company accused of supporting the unrest, is in limbo, and Gao is surviving through friends and by living with his girlfriend.

They say they were heartened by the release earlier this month of 211 dissidents arrested after June but believe the Government must free remaining political prisoners, including fellow hunger striker Liu Xiaobo.

Liu, a leading academic, has not been sighted since January 27 when his wife saw him in jail. He is in Qincheng prison and according to Hou, must be released or face trial before July 14 six months after the lifting of martial law in Peking, the date authorities will probably cite as the legal limit.

While some students are talking of a low-key gesture to mark June 4, Hou Dejian and his fellow petitioners do not believe any public expression of mourning or outrage will be possible.

Authorities have increased road blocks, armed police and security surveillance, and it is likely Tiananmen Square will be sealed. While insisting he would keep fighting, Hou said: "I have no plan on June 4. I don't think you will be able to go near the square. We wish for peaceful evolution towards democracy, and think the current government is temporary and has no chance of surviving the death of Deng Xiaoping."

"But if there is a mad dog and you haven't a big stick," he said, "it's safer to keep your distance."

Brussels agricultural programme criticised by EC auditors

By Tim Dickson in Brussels

THE European Community's financial watchdog yesterday severely criticised the way Brussels manages its annual Ecu7bn ($8.7bn) agricultural exports programme.

In a damning 110-page report the EC's Court of Auditors catalogues widespread abuse of the farm subsidies system by market traders, highlights inadequate customs controls and facilities at ports in the member states and illustrates instances where the EC taxpayer has had "questionable" value for money.

The European Commission rejected many of the findings in a point-by-point rebuttal of the Court's report. A senior Brussels official said, however, that the timing of the study was unfortunate at this stage in the vital international trade talks known as the Uruguay Round.

The level of global farm supports – notably those provided by the EC – are a central issue in these negotiations, and while the Court of Auditors does not question the principle of selling EC food surpluses on world markets, it provides plenty of ammunition for those like the US and Australia which argue that the EC system distorts world trade.

It also raises the question of the EC's financial accountability, which Britain in particular has chosen to pursue in the gathering debate on EC political union.

No attempt is made to quantify the overall cost of the deficiencies highlighted in the report. But the authors conclude that the level of subsidy represented by low-price sales of cereals, beef and milk products from the EC's intervention stores and by export refunds (designed to bridge the gap between high EC prices and lower world market prices) "has been determined with insufficient regard to the need for economy."

The control of payments by national authorities, moreover, "provides insufficient safeguard against exploitation of the complex export refund system by fraudulent operators."

No one is exonerated in the report, which observes that the export subsidy system is too complicated, that the rates of support are not always substantiated and that policy seems based "on a game of cat and mouse with the US, each attempting to outdo one another in a subsidies race."

Commission officials objected that many of the criticisms were exaggerated, rejected the idea that its policies have had a depressing effect on world markets and pointed out that providing subsidies for food exports was much cheaper than keeping surpluses in EC stores.

EC watchdog shows enemies it can bite as well as bark, Page 2

THE LEX COLUMN

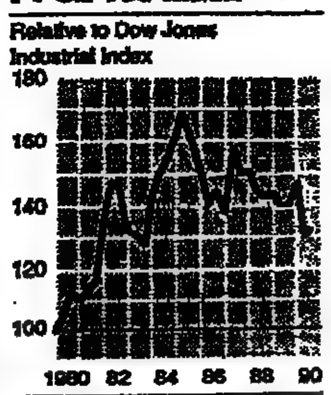
Dancing to Wall Street's tune

There was a satisfying neatness to the FT-SE's 50-point jump yesterday. But notwithstanding the signs of panic buying developing among the institutions, it remains unclear how soundly the rally is based. The two immediate causes are Wall Street's strength and apparent ERM-inspired foreign interest in the UK markets. But Wall Street's record level rests in turn on a doubtfully sustainable recovery in the US bond markets. The widespread lack of confidence in Wall Street's ability to keep going might prove a contrary indicator. But if Wall Street has a correction, London can only follow suit.

Nor is it clear how far foreign buying, while evident in gilts and sterling, is a force in UK equities. It is clear that the UK institutions, already stuffed with cash and fearful of having missed the boat, are reluctant sellers. Hence the continued scarcity of stock; but if yesterday's opportunistic example from Bowater is followed, there could be a supply of equity coming to match the demand. The opposite effect would of course be achieved if one of the rumoured big bids actually happened; but a really big cash call could stop the market in its tracks all the same.

Meanwhile, it is worth considering that the FT-SE has spent the year to date plunging around within a range of 360 points. Yesterday's close was not much above the mid-point of that range. It could all still turn out to be mere random noise in a market going sideways.

FT-SE 100 Index



S.G. Warburg

It is one thing for the Warburg share price to underperform Schroders' since the last couple of profit announcements. But the shares have lagged even further behind those of Kleinwort Benson over the same period; and yesterday's 6p dip in the Warburg price, on a day when it reported a two-thirds rise in full year disclosed pre-tax profits and the equity market was roaring ahead, was the final insult.

Warburg should be a leading beneficiary of rising financial markets; but a historical multiple of 8½ times historic earnings underscores the market's distrust of the quality of its profits. In the absence of sensible disclosure, investor sentiment is bound to be the more heavily affected by a cautious statement from the chairman suggesting that 1989-90 may have been a peak year in Warburg's fortunes. However, a year ago analysts were expecting pre-tax profits of £130m. The actual result was £187.5m. So who is to say what it will be this year?

The UK corporate finance business is nowhere near as buoyant as it was, but this is partly offset by a growing Continental business. Meanwhile, the consistent growth of profits from fund management is one of Warburg's clearly visible strengths. In UK securities, too, there could be pleasant surprises if the long overdue shakeout of capacity in the industry ever happens. But until there are signs of that being nearer at hand, Warburg, like the rest of the merchant bank sector, deserves its current humble rating.

Molins/Leucadia

There is something deeply unsatisfactory about a lapsed takeover bid which still leaves the target company under siege. Molins has now survived three hostile bids in three years; but it may yet face a proxy battle to prevent Leucadia, which owns just over 45 per cent, from taking control of its board. The institutions have been steadfast in not selling their shares. Whether they are as good at turning up at EGMs remains to be seen.

It will now be very difficult for Molins to manage its business properly. Other companies in the past have narrowly seen off bidders – Birmid Qualcast with Blue Circle, for example – only to be forced to acquiesce shortly afterwards. Add in Leucadia's ability to buy 2 per cent a year and the Molins management is on borrowed time.

The fact that the vast bulk of Leucadia's stake came from just two sources – Sir Ron Brierley and the US-based Heine Securities – adds to the disquiet. Big corporations like RHM or Cadbury may be able to live with large stakeholders. Further down the scale, a base of 29.9 per cent makes companies vulnerable to even a moderately priced offer. Perhaps those who argue for a reduced bid threshold should be taken seriously.

Bowater

It is not every day that a company calls for £140m and sees its share price unchanged. Bowater's rights issue looks a virtuous combination of luck and judgment, having been in contemplation for some time and pulled forward when the market picked up two weeks ago. The institutions were thus hit in the midst of an acute stock shortage; though it helped that Bowater has in the past three years built a reputation for steady management with an eye for acquisitions.

The issue brings gearing below 30 per cent, having been over 130 per cent after last year's Norton Opax purchase. The buffeting the share price then received has made Bowater wary of exceeding 100 per cent, which puts a ceiling on acquisitions of around £200m. This will probably be in coatings and laminates, doubtless in the US or Europe. It would leave the group with a logical balance between coatings and packaging, even if the third leg in Australia still looks something of an anomaly.

Speyhawk

If Speyhawk really is a good barometer of the UK property market, the reading from its latest interim statement is that the storms have abated, at least for the moment. The company has held its dividend and makes reassuring noises about financing its big development programme. Nevertheless, what catches the eye is the near doubling in turnover, to £83.2m, and the 40 per cent drop in pre-tax profits to £6.1m.

It is a comfort that the company can still sell property in an illiquid market, but the penalty to margins is considerable.

Speyhawk's shares yield over 10 per cent, trading at a discount of two thirds to last year's net asset value of 533p. The big question is not whether the company can survive the next twelve months, but what is left after the various disposals. Some sort of refinancing would seem inevitable; but at this stage it is difficult for Speyhawk to call the shots.

Major reaffirms tight UK monetary stance

By Peter Norman in Paris

MR JOHN MAJOR, the British Chancellor of the Exchequer, warned yesterday that a further rise in UK interest rates could not be ruled out in the battle against inflation.

However, the Chancellor's bearish remarks to the annual meeting of ministers from the 24 nation Organisation for Economic Co-operation and Development in Paris did little to damp a rise on London's financial markets.

The pound rose strongly as speculation continued about sterling's entry into the exchange rate mechanism of the European Monetary System. However, the Chancellor said there was no change in the British position about sterling and the EMS.

Mr Major underlined that progress on reducing inflation would take longer to achieve than cooling demand in the economy.

He said it was clear that policy must remain tight for some time. He later welcomed yesterday's sharp increase in the value of sterling, which, if sustained, would tighten monetary conditions further.

The pound rose as high as 89.7 on its trade-weighted index but lost some ground after Mr Major's comments to finish at 89.4, half of a percentage point above its Tuesday close.

The stock market also rose strongly, buoyed by sterling's strength and the rally on Wall Street. The FT-SE 100 index finished up 50.6 at 2,346.2. Gilts closed half a point higher.

Pointing out that yesterday's mid-afternoon effective sterling exchange rate was half of a percentage point below October's levels, the Chancellor said: "I don't think it has reached unsustainable foreign exchange values."

In his speech, Mr Major appeared to rule out any interest rate reductions in the short term. He promised that when the time came for interest rate cuts "their pace will be determined by our determination to ensure not just that inflation comes down – vital as this is – but also that it stays down."

In his press briefing, the Chancellor denied any change of policy emphasis or rhetoric following recent economic indicators pointing to continued unexpected buoyancy in the economy. But his remarks contained a hint of a more rigorous monetary stance than remarks at the beginning of May which suggested that interest rates could fall around the end of the year.

The Chancellor did not raise the subject of the EMS in his speech. He repeated that sterling would enter when conditions set at last year's EC summit were fulfilled.

The most important of these is that inflation in Britain should move nearer to the EC average. While giving no clue on timing, Mr Major was adamant that sterling would participate fully in the ERM. "The fact we will enter is certain," he said.

Speculation about entry to the EMS was fuelled by a meeting between Mr Major and Mr Pierre Bérégovoy, the French Finance Minister, yesterday. The Chancellor said he raised questions relating to EC plans for economic and monetary union.

National Institute review, Page 12; Markets, Page 33.

Bush to press for unity deal

Continued from Page 1

expected to sign a treaty virtually eliminating chemical weapons and to reach a broad agreement on a 30 per cent cut in strategic nuclear weapons.

The US nine-point package involves a commitment to CFE2 talks covering the size of all forces in central Europe; no Nato forces in the present East Germany; a short transition for the withdrawal of Soviet troops from East Germany; accelerated talks on short-range nuclear missiles; a more formal structure for the 35 nation Conference on Security and Cooperation in Europe (CSCE); firm pledges on borders; a promise that a united Germany will neither produce nor possess biological or nuclear weapons; the provision of economic assistance.

Pöhl denies rift over policy

By Andrew Fisher in Frankfurt

MR Karl Otto Pöhl, president of the Bundesbank, yesterday denied that a rift had developed between the West German central bank and the Bonn Government over the terms and the speed of currency union with East Germany.

"I regret that the impression has developed in recent weeks that a big confrontation, a war, exists between the Government and the Bundesbank," he said in a speech last night. "This impression is false."

He referred to "less than helpful" comments made by some members of the central bank policy-making council. Though he mentioned no names, this was an obvious reference to Mr Wilhelm Nölling, a member of the Bundesbank council and president of the Hamburg central bank.

Mr Nölling said in a newspaper interview that Bonn had failed to consult the Bundesbank on monetary union. Mr Helmut Hesse, head of the Lower Saxony central bank, has also commented on the Government's apparently high-handed attitude towards the Bundesbank.

Mr Pöhl said the Bundesbank had been involved in all the consultations leading up to the drawing up of a treaty between the two Germanys enshrining monetary, economic and social union. "We, the Bundesbank, are very satisfied with the contents of the treaty." The central bank's main demand – that it be solely responsible for monetary policy between the two Germanys – had been fulfilled.

The conversion terms, which allow much of German savings, as well as wages and pensions to be converted at the rate of one D-Mark for one East German Mark were also broadly acceptable. Corporate debt will be converted on a one-for-two basis.

He said that if, to take one extreme, debts had been eliminated and all savings and other deposits converted at one-for-one, this would have raised West German indebtedness by anything between DM250bn and DM400bn ($151bn -$241bn).

"In principle, I believe it is a good solution," he said of the terms of the currency union, which takes effect in July.

Constitutional change urged

Continued from Page 1

Professor Oleg Bogomolov, one of the most articulate reformist economists, also denounced the government price reform package, saying that the first step in reform must now be the outright privatisation of state property.

Dr Abalkin, in a presentation of the whole plan, argued that a more radical shift to a market economy would caused a 20 to 25 per cent drop in production over the next two years, and the appearance of "mass unemployment." The Government's step-by-step approach, seeking to control the transition to a market economy through the central planning system, would cause less unemployment and a less catastrophic drop in production.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	23	73	Dallas †	C	23	73	Madeira	S	25	77	Prague	R	12	54
Algiers	S	25	77	Dublin	F	16	61	Madrid	S	26	79	Reykjavik	F	10	50
Amsterdam	F	21	70	Dubrovnik	F	26	79	Majorca	F	24	75	Rhodes	S	28	82
Athens	C	23	73	Edinburgh	F	17	63	Malaga	S	24	75	Rio de Janeiro		–	–
Bahrain	S	33	91	Faro	S	26	79	Malta	C	19	66	Rome	S	23	73
Barcelona	F	22	72	Florence	S	20	68	Manchester	C	15	59	Salzburg	S	17	63
Belfast	C	15	59	Frankfurt	F	20	68	Melbourne	C	16	61	S'Francisco		–	–
Belgrade	F	22	72	Geneva	[illegible]	18	64	Mexico City		–	–	Santiago		–	–
Berlin	F	17	63	Gibraltar	[illegible]	23	73	Miami †	F	24	75	Seoul	C	22	72
Biarritz	S	20	68	Glasgow	C	15	59	Milan	S	19	66	Singapore		–	–
Birmingham	C	18	64	Guernsey	C	14	57	Montreal †	F	10	50	Stockholm	S	18	64
Blackpool	S	15	59	Helsinki	S	14	57	Moscow	C	16	61	Strasbourg	S	20	68
Bombay	F	28	82	Hong Kong	[illegible]	27	81	Munich	S	17	63	Sydney	C	20	68
Bordeaux	F	24	75	Innsbruck	S	18	64	Nairobi		–	–	Tangier	S	27	81
Boulogne	F	18	64	Inverness	[illegible]	13	55	Naples	F	21	70	Tel Aviv	S	27	81
Bristol	F	16	61	Isle of Man	S	17	63	Nassau		–	–	Tenerife	F	25	77
Brussels	S	21	70	Istanbul	F	20	68	Newcastle	C	16	61	Tokyo	S	28	82
Buenos Aires		–	–	Jersey	F	18	64	New Delhi	S	36	97	Toronto †	S	9	48
Budapest	S	17	63	Johannesburg	S	18	64	New York †	R	13	55	Tunis	F	23	73
Cairo	S	36	97	Las Palmas	F	23	73	Nice	F	20	68	Valencia	S	25	77
Cape Town	S	18	64	Leeds	C	17	63	Nicosia	S	28	82	Venice	S	20	68
Cardiff	F	16	61	Lisbon	S	27	81	Oporto	S	21	70	Vienna	F	15	59
Chicago †	S	9	48	Locarno	F	19	66	Oslo	S	16	61	Warsaw	C	9	48
Cologne	F	20	68	London	[illegible]	17	63	Paris	F	19	66	Washington †	S	14	57
Copenhagen	S	16	61	Los Angeles †	S	13	55	Peking		–	–	Wellington	S	14	57
Corfu	R	19	66	Luxembourg	S	18	64	Perth	C	17	63	Zurich	S	18	64

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Arab leaders blame US for Israeli line

Continued from Page 1

posed by the sudden migration of thousands of Soviet Jews to Israel.

Both Mr Arafat and Mr Saddam Hussein, Iraq's President, had urged that a clear message be sent to Washington that Arab states were increasingly upset at what they regarded as the US failure to prevent Israel extending its grip on East Jerusalem, the West Bank and the Gaza Strip through its settlement drive.

The Arabs fear that new Jewish settlers will spill over from Israel into the territories. The communiqué expressed concern that such a settlement drive would directly threaten Jordan. Arab rulers pledged their "complete commitment" to defend Jordan "as an inseparable part of the national security of the Arab nation".

The summit leaders reserved their strongest criticism for the US Congress, which they claimed was biased in its support of Israel. It condemned recent Congressional resolutions recognising Jerusalem as the capital of Israel and warned that Arab states would adopt political and economic sanctions against any state that followed suit.

The Baghdad summit is likely to enhance the standing of the Iraqi leader in the Arab world. Arab delegates praised his competence and restrained chairing of the event.

The Iraqi leader, who has been harshly criticised in the west for his country's human rights record and its attempts to acquire weapons of mass destruction, was looking to the summit to reinforce his credentials as a regional leader.

Other heads of state were united in their support for the rights of Arab states to secure the technology required to defend their security.

The Arab summit – which was boycotted by President Hafez al Assad of Syria – resolved that a full-scale meeting of heads of state would be held in Cairo in November.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 31 1990

INSIDE

Paribas and Mixte sign peace treaty

A peace treaty was signed and sealed yesterday ending the war between Paribas, the French investment banking group, and Compagnie de Navigation Mixte, the champagne to insurance conglomerate. After weeks of wrangling, the two signed an agreement to reduce their stakes in each other. Meanwhile, Paribas has shed the last of its exposure to third world sovereign debt risk through an innovative insurance policy, reports George Graham. Pages 22,28

Straining under weight of paper

The Governor of the Bank of Spain, Mariano Rubio (left), is irritated. Credit limits imposed last summer as part of government strategy to cool the economy have been "condemned to inefficiency" by the explosive growth of commercial paper, he says. Companies desperate for funds are thought to have issued paper worth more than $10bn in official and over-the-counter primary markets, reports Peter Bruce. Page 26

Profits of the global view

Swedish companies are reaping the profits of a broader investment strategy. International investment by Swedish companies is on the rise while domestic investment is declining in many sectors. A report released yesterday shows that the country's 20 largest companies earned 29 per cent more from capital employed overseas than from domestic operations over the past three years. Robert Taylor reports. Page 24

Speyhawk profits plummet 40%

The economic slowdown in the UK may have taken its toll on profits at Speyhawk, but the property developer was able to find some good news amid the bad. Announcing a 40 per cent fall in the first half of 1989-90, Trevor Osborne, Speyhawk's chairman, was encouraged that the group had almost doubled its turnover in a depressed market. Andrew Hill reports. Page 29

Earthquake shakes oil prices

The Oslo bourse has a record as one of Europe's star performers, but it has suffered in recent months as world crude oil prices have dropped dramatically. London-based broker Kleinwort Benson believes the Oslo bourse will still out-perform Europe over the full year. And its optimism could be justified as the earthquake in Romania and the Soviet Union sparked aggressive buying in crude oil futures, which rallied sharply on the New York Mercantile Exchange. Page 44

Dutch insurer under the weather

Nationale-Nederlanden, the big Dutch insurer, was battered by the heavy gales that swept across northwestern Europe in January. Heavy claims arising from the hurricane force winds were responsible for a 37 per cent drop in first-quarter earnings. Nat-Ned said yesterday it still expected 1990 profits to equal the record Fl 973.3m ($516.9m) of 1989. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Deckel (Fr.)	228	+	5	Bail-Inv.	1020	+	30.9
Hapag Lloyd	465	+	15	C M B Pack.	211.1	+	5.7
Rosenthal	398	+	5	Guyenne GA	1146	+	35.1
Falls				**Falls**			
Hertie	416	−	10	CFAO	595	−	20.3
Karstadt	679	−	10	SCOA	27.5	−	1.4
Mannesmann	357.5	−	5.5	Sommer All	2340	−	121.4
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
IBM	121⅛	+	1⅜	Furukawa Batt	1180	+	120
Walt Disney	124⅞	+	6⅛	Kyudenko	1770	+	150
Falls				Takigami St	2300	+	180
Avery Int.	25¼	−	1	**Falls**			
Circus Circus	62½	−	2⅜	Fkon Chem	2800	−	250
Compaq Comp.	119⅜	−	1	Meiji Leather	2700	−	190
LA Gear	44½	−	3⅛	Nippon Gear	1070	−	90

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				RMC	695	+	19
Allied-Lyons	467	+	17	Siebe	489	+	14
Argos	227	+	10	SmKline Bchm A	539	+	21
BAT Inds	724	+	13	Speyhawk	178	+	7
[illegible]	345	+	14	Tunstall Grp	152	+	12
Glaxo	787	+	15	Vibroplant	141	+	7
Greenall Whit.	347	+	19	Wace Grp	347	+	11
Guinness	742	+	16	**Falls**			
Hay (Norman)	75	+	10	Foseco	241	−	5
Howden-Stuart	105	+	6½	Goldberg (A)	43	−	6
[illegible]	138	+	5	Mowlem (J)	318	−	12
Plysu	128	+	14	Thames TV	513	−	33
[illegible] (A)	351	+	18				

SKB sells cosmetics units for £210m

By Nikki Tait in London

SMITHKLINE Beecham, the Anglo-American drugs and consumer goods company, is selling the bulk of its European cosmetics businesses to Joh. A. Benckiser, a privately-owned West German manufacturer of detergents and water-purification equipment. The deal marks another significant step in an extensive disposal programme at SmithKline Beecham.

The sale price is £210m ($356m), to be paid in cash. At least £176m will be handed over on completion, with the remainder subject to a post-completion audit and contractual obligations. The deal is also subject to approval by the German cartel office.

The West German company will acquire the Lancaster, Margaret Astor, Monteil and Parera brand names – as well as a number of designer brands under licence – and manufacturing facilities in West Germany, France and Spain. Trading profits for the businesses being acquired were £20m in 1989, and sales totalled £264m. Net assets stood at £85m by the year-end.

The sale follows earlier disposals by SKB of its Ambrosia, Bovril and Marmite food brands, certain over-the-counter speciality products in the US, and the Yardley/Lentheric cosmetics business. In aggregate, SKB calculates that disposals to date have raised just over £700m, of which £629m has come in cash.

This, it said, means that the disposal programme, announced in the wake of the merger of SmithKline Beckman of the US and Beecham of the UK, is now largely complete.

There are two outstanding operations where deals have yet to be cemented: the Montana fragrances business, where SKB says that negotiations are under way with one specific party, and the Yardley/Lentheric interests in South Africa.

In yesterday's buoyant stock-market conditions, SKB shares gained 21p to close at 539p.

Benckiser, based in Ludwigshafen but deriving around 90 per cent of its £1bn-plus annual turnover outside West Germany, has already made one recent purchase from SKB. Last December, it bought SKB's US and Canadian household products operations for £58m.

Yesterday's deal, however, takes the acquisitive West German company into fragrances and cosmetics for the first time. At present, its operations are principally in household products, where UK brands include Finish and Vanish.

The West German group, which is owned by the Reimann family, said yesterday that its strategy was to target established consumer brands, and that the latest acquisition was a further step in the restructuring of its operations. Over the past five years, Benckiser has shed certain chemical operations to raise over £100m, and acquired eight consumer product businesses at a cost of some £600m.

Warburg guards a profitable wicket

The UK merchant bank is cautious after recording its best-ever results, finds David Lascelles

UK investment banking has lived up to its reputation this week as one of the most unpredictable businesses in the City.

On Tuesday evening, the Royal Bank of Canada shut down its London stockbroking arm, Kitcat & Aitken, effectively abandoning its attempt to provide a rounded investment banking service from London. But yesterday morning S.G. Warburg, one of the City's leading investment banks, produced its best results ever by a large margin. How can these conflicting trends be reconciled?

Sir David Scholey, Warburg's chairman, described 1989 as "a bit of a golden year". But in reality it was only golden for some parts of the diverse financial empire which he heads. In particular, the corporate finance department reaped the fruits of last year's record takeover boom with its blockbuster deals: Hoylake's assault on BAT, Ford's acquisition of Jaguar, and Isosceles' bid for Gateway, the latter alone netting Warburg an estimated £25m ($42.4m) in fees.

Warburg's 75 per cent-owned fund management arm, Mercury Asset Management also benefitted from the strong rise in equity prices.

But Warburg itself had a leaner time in the securities markets because of low turnover and excess trading capacity, all this highlighting the pressures which are still forcing marginal players like RBC to throw in the sponge.

Warburg was not alone among UK merchant banks in having a good 1989. A combination of more buoyant markets and tougher management after the crash of 1987 brought large profit gains at most major houses. But in retrospect it will almost certainly prove an exception to the long-drawn process of adjustment which the City is still going through, more than three years after the restructuring caused by the Big Bang. Sir David himself urged "caution, but not gloom" about the prospects.

That process has left only two independent merchant banks still pursuing the goal of being integrated investment houses offering the gamut of banking, corporate finance and securities services: Warburg and Kleinwort Benson.

But Kleinwort has had to apply considerable surgery to itself to staunch losses and remain in the race: it has shed staff, and sold off extraneous operations in the US and Australia.

This has necessarily entailed a reduction in ambitions, but it has also brought a clearer sense of purpose, and raised morale.

Schroders is another strong house in corporate finance, but it has narrowed its focus in the securities markets to the Far East and the US where it owns 50 per cent of Wertheim, the Wall Street firm. Hambros has tried the different tack of diversification into estate agency which was successful until the recent collapse of the UK housing market, though its underlying banking business is believed to be one of the most profitable in the merchant banking sector.

Warburg itself has also quietly scaled back its ambitions. Where it previously spoke in terms of globe-girdling activities in Europe, Japan and the US, it has now shifted its focus predominantly to Europe. Sir David yesterday spoke of "a gradual but continuous process" of developing a network in continental Europe. "A truly European base is the key to our international development," he said.

This strategy reflects not merely the fact that Europe is the closest and most obvious market for Warburg to develop, but also the difficulty of penetrating the US and the Japanese corporate finance markets. Although Warburg has done some merger and acquisition deals for clients in both those countries, the bulk of its activities there is in the securities rather than corporate finance field.

In continental Europe, by contrast, M&A volume doubled last year, and the prospects for further growth look good.

Warburg is approaching the European market through a combination of local acquisitions and alliances, believing that clients want banks who are close to the markets.

Mr Steven Thorn, a banking analyst at UBS Phillips & Drew, says: "People have learnt that the global integrated investment banking concept is just a formula for losing money on a global scale." As it is, Warburg achieved a 17.9 per cent post-tax return on capital last year, which "is beginning to look reasonable," according to Sir David. Among Warburg's international rivals, it exceeds the 14.6 per cent earned by Salomon Inc. last year, but fell well short of Morgan Stanley's 27.9 per cent.

But the more realistic approach which merchant banks are now adopting could still face its sternest test in the months ahead. If it turns out that economic uncertainty puts a damper on the securities markets and discourages bold takeover activity on last year's scale, none of the banks will see a repeat of the sharp profit growth they achieved in 1989.

Mr Thorn is forecasting a levelling off of profits with declines at Warburg and Schroders. The best results, he thinks, will probably come from Kleinwort which has yet to reap the full benefits of last year's restructuring.

The moment may never come when analysts are able to point at an investment bank and say it has got it right, because things never settle down. As Sir David said yesterday: "We thrive on change". But the natural law of investment banking favours those who are able to adapt.

Lex, Page 20

'Caution, but not gloom': Sir David Scholey, Warburg chairman, hailed 1989 a 'golden year'

Thames issues profits warning

By Raymond Snoddy in London

THAMES Television, the UK's largest independent television franchise, warned yesterday that its results for the full year could "fall below market expectations" unless there was a marked improvement in trading conditions.

The profits warning came from Sir Ian Trethowan, the Thames chairman, at the company's annual meeting and reflects both the turndown in television advertising in the UK and adverse changes in Exchequer levy – the special government tax on commercial television companies.

But Thames stressed yesterday that the main new factor was the worse-than-expected first half performance from Reeves, the US production company bought by Thames last year for £57m.

A small loss of about $2m to $3m is expected in the first half from the US company which specialises in comedies such as Kate & Allie and Gimme a Break. The loss at Reeves was largely due to sluggish sales in the secondary syndication market – the selling of former network shows to independent stations.

The profits warning from Sir Ian immediately knocked Thames shares which closed down 33p at 513p.

The notes of caution come at a particularly sensitive time for Thames, since a majority of its shares is now up for sale.

The company's two main shareholders, Thorn EMI, the music, lighting and electronics company, and BET, the industrial services group, have offered their combined 56 per cent stake for sale and would like to see a deal completed before the broadcasting bill now before Parliament becomes law.

Yesterday's warning could obviously affect the price that BET and Thorn get for their shares.

In the nine months to December 1989 Thames had pre-tax profits of £26m.

Yesterday Thames predicted the combination of difficulties would have "a substantial adverse effect on profits" for the half-year to June 30 and that it was too early to predict the outcome of the full financial year. However, it is already clear that analysts' forecasts of £30m-£32m for the full year will not be met.

Sir Ian said yesterday, however, that Reeves would make "a modest contribution" to group profits over the full year.

There were also signs of a gradual improvement in advertising revenues.

ANZ, National Mutual aim for close links despite merger ban

By Kevin Brown in Sydney

AUSTRALIA and New Zealand Banking Group (ANZ) and National Mutual Life Association yesterday announced plans to push ahead with a close commercial relationship despite attempts by the Canberra Government to ban the coming together of the country's top six financial institutions.

Mr Paul Keating, the Australian Treasurer (finance minister), last week blocked a proposed A$3.4bn (US$2.6bn) merger between ANZ, one of the big four Australian banks, and National Mutual, the second biggest life office, on the grounds that it would inhibit competition in the insurance market.

However, in a joint statement yesterday, the two companies said ANZ would subscribe for 10 per cent of the shares to be issued by National Mutual when it demutualises (shifts from policyholder to shareholder ownership) later this year.

ANZ will also provide National Mutual with A$550m in subordinated loan capital, which will be convertible to shares, subject to approval from Australia's banking and insurance regulators.

The companies will investigate cross-marketing possibilities within the guidelines laid down by the Trade Practices Commission in Australia and the Commerce Commission in New Zealand, where both have important operations.

The announcement also said that National Mutual has decided not to go ahead with plans to repurchase National Mutual Royal Bank (NMRB).

ANZ will retain control of NMRB, and will acquire 100 per cent control of National Mutual Bank New Zealand, an associated company.

The joint statement said the arrangements had been cleared by the Australian Reserve Bank, the Insurance and Superannuation Commission, and were in accordance with guidelines laid down by the Australian Treasurer.

Citicorp chief predicts big US bank mergers

By Stephen Fidler, Euromarkets Correspondent

THE HEAD of the biggest bank in the US said yesterday that the coming decade could see a spate of mergers among the largest American banks comparable to the 1950s.

Mr John Reed, chairman of Citicorp, said in a speech in London that mergers among the big "money centre" banks might be a natural response to the competitive pressures of the 1990s.

In the 1950s, many of the best known New York banks were formed through mergers, including Citibank itself, Chase Manhattan and Morgan Guaranty.

Mr Reed said Citicorp may sell some businesses, possibly this year, as part of its efforts to build up its capital base. The bank would "sell some things that are not of strategic value . . . conceivably later this year."

Citicorp needs about $2bn in capital to bring it up to its target level of 4 to 4½ per cent of assets. Although this was the equivalent of two years of retained earnings, Citicorp has decided it wants to act more quickly than this.

The bank has no plans to issue equity to make up the shortfall, Mr Reed said, although if it was able to carry out its plans to make acquisitions in Europe it would consider issuing equity.

He said that Citicorp, which intends to emphasise its European business in the 1990s, felt it needed to expand its retail businesses particularly in the UK and France. This could involve a purchase of up to $1bn in the UK. The bank has talked to building societies in the past and expects to do so in the future, he said.

Mr Reed believed the the Third World debt situation was improving. He said a personal view was that by 1992 – 10 years after the onset of the crisis – it would "to all practical purposes be behind us."

Elf is still undecided on Enterprise

By Steven Butler in London

ELF AQUITAINE, the French state-controlled oil group, yesterday said it might either reduce or increase its investment in Enterprise Oil, Britain's biggest independent oil company, in which it has a 25 per cent stake.

Elf appeared to confirm speculation that it was looking closely at whether to bid for Enterprise.

In response to a request from the Takeover Panel, Elf said yesterday that it had been holding discussions with ICI, which holds another quarter of Enterprise's shares, and other large investors.

Elf said that it had not yet reached a decision on what to do, and that this would depend on "what opportunities arise and the price for such an acquisition or sale relative to Elf's valuation of the assets of Enterprise."

Background, page 28

Paribas to cut Mixte stake to 30%

By George Graham in Paris

PARIBAS, the French investment banking group, yesterday signed a peace treaty with Compagnie de Navigation Mixte, the champagne-to-insurance conglomerate, sealing the end of its unsuccessful FFr26bn ($4.5bn) bid for the company.

Paribas agreed to reduce its stake in Mixte, which rose to 40.5 per cent after last October's bid, to 30 per cent – less than a blocking minority – while Mixte in turn agreed to cut its stake in Paribas, which it had built up to 12.7 per cent, to 9.5 per cent.

At the same time, Paribas turned a page in its internal organisation with the approval at an extraordinary shareholders meeting of a far-reaching reform of its structures, with the institution of a two-tier board organisation similar to West Germany's executive and supervisory board system.

The two moves are closely linked, for although an overhaul of the management structures had been under consideration for some time, its implementation was to a great extent provoked by the failure of the bid for Mixte.

The agreement signed yesterday also allows either side in future to reduce its stake further, with a floor of 20 per cent for Paribas's Mixte stake and a minimum of 7 per cent for Mixte's holding in Paribas.

It had been thought that Mixte's stake in Paribas could create problems for the vote on the change in statutes, which required a two-thirds majority at the shareholders meeting.

In the event, the change was carried overwhelmingly with 60.6m votes for, 396 votes against and 77 abstentions.

The vote against might not have been so high had it not been for the length of the meeting. It became clear that some small shareholders – Paribas claimed 3.8m, the world's largest shareholder list, immediately after its privatisation in 1987 – found the 31 resolutions distinctly boring and voted against some motions in order to try out the computerised bar code voting system.

It may, therefore, be purely fortuitous that Mr Michel François-Poncet, chairman of the bank since shortly before its privatisation, who was named yesterday as chairman of the new supervisory board, received 4 votes more than Mr Gérard Eskenazi, Paribas's managing director before its nationalisation in 1982 and a widely touted candidate to replace Mr François-Poncet after the Mixte failure.

In any case, Mr Marc Fournier, chairman of Mixte, did not use his company's votes against any of the motions. After yesterday's peace treaty he will, in fact, have a representative on Paribas's board, as well as a Paribas director on his own board.

Paribas' Third World debt insurance, Page 36

PKbanken advances ahead of merger

By Robert Taylor in Stockholm

PKBANKEN, Sweden's state-controlled banking group, lifted operating profits for the first four months of the year by 2 per cent to SKr1.28bn ($208m) from SKr1.25bn for the same period of 1989.

The results are the last from PKbanken, for on June 6 its merger with Nordbanken comes into force to form the largest commercial bank group in Sweden.

PKbanken said that its results were "satisfactory" because the figure for the corresponding months of last year included a total of SKr114m from capital gains in bonds.

Net interest income for the latest January-April period rose by 16 per cent to SKr2.43bn from SKr2.09bn for the same months of last year.

The group's operating costs increased by 23 per cent to SKr2.05bn from SKr1.67bn, reflecting a 35 per cent rise in lending losses for the first four months to SKr226m from SKr168m. Operating income went up by 18 per cent.

Return on equity after tax fell to 18.1 per cent compared with 19.7 per cent for the first four months of 1989. PKbanken reported that there was a marked shift in lending to private households for residential loans which was more rapid than experienced by the other leading Swedish banks.

It also said that the high interest rates of the past four months had increased costs for the financing of the bank's bond portfolio and this had contributed towards a deterioration in investment margins.

● Inter Forward, a unit of the Swedish holding company Ratos, is negotiating with Philips to buy the Dutch electronics group's fully owned UK distribution concern London Carriers International. Talks started in November. No financial details were given, Reuter reports.

London Carriers has turnover of some £35m ($59m) and employs 1,100 staff at 13 British outlets, conducting all distribution for the Philips organisation, affiliated companies and some external clients.

Bowater launches £140m issue to fund expansion

By Andrew Hill in London

BOWATER, the UK print, packaging and industrial products group, is asking shareholders for £140m ($237.3m) with a well-timed rights issue aimed at funding further expansion.

Bowater is offering investors one new share for every four held at 425p, less than a year after buying Norton Opax, the specialist printer, for £382m in cash and shares.

In yesterday's strong market, Bowater's share price held steady at 514p, shored up by the group's forecast that it would recommend a dividend of at least 21p this year. That would be an increase of 13.5 per cent on the 1989 pay-out of 18.5p.

Mr David Lyon, Bowater's chief executive, said: "I think we perceived that there was an appetite for rights issues from the right sort of company for the right sort of reasons."

The cash call has been fully underwritten by Morgan Grenfell.

A fortnight ago Bowater sold its builders' merchant subsidiary to Harrisons & Crosfield, the diversified plantations group, for £113m, including debt. That brought gearing down from 131 per cent to 77 per cent, and the rights issue will reduce borrowings to less than 30 per cent of shareholders' funds.

"Going for a rights issue now addresses our need to have funds available for acquisitions," said Mr Lyon. "It's as likely that acquisitions will be in continental Europe or North America as in the UK, and we feel it's very helpful to have cash."

Mr Lyon said Bowater would be most likely to look to expand in the coating and laminates business – one of four divisions of the restructured UK company – ideally through the purchase of a company with international operations.

Bowater launched an £80m rights issue in 1987, a month before buying Rexham Corporation, a US packaging group, for $226m.

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Alitalia names new chairman

By Our Financial Staff

DIRECTORS of Istituto per la Ricostruzione Industriale (Iri), the Italian state holding company, yesterday named Mr Michele Principe chairman of Alitalia, Italy's flagship airline.

Alitalia has been without a chairman since last July, when its former chairman, Mr Carlo Verri was killed in a car crash.

Mr Michele, 58, a Christian Democrat, is the chairman of the state telecommunications holding company, Stet.

Two days ago Alitalia and USAir, the US carrier, signed a commercial agreement aimed at giving their passengers easier access to each other's networks. Mr Giovanni Bisignani, managing director of Alitalia, and Mr Randall Malin, vice chairman and executive vice president of USAir, said the accord was the beginning of what they hoped would be a long-lasting co-operation between the two companies.

Separately Iri reported 1989 consolidated group profit of L1,615bn ($1.3bn), up from L1,263bn in 1988. The banking sector net profit jumped to L950bn from L620bn, while profits in the industrial sector advanced to L685bn from L660bn, on turnover up 14 per cent at L67,300bn.

Total foreign turnover was L8,980bn (up 6 per cent).

COMPANY NEWS IN BRIEF

Continental agrees East German link

CONTINENTAL, the West German tyremaker said on Wednesday thatit has agreed to establish a broad business co-operation with three producers of specialised rubber products in East Germany, agencies report.

Continental said its Conti-Tech division has already begun a financial assessment of the three East German companies involved and said "the goal is to reach a concrete form of collaboration within a short time." In April, Continetal agreed a business venture with East German tire maker VEB Reifenkombinat Fürstenwalde.

■ Akzo, the Dutch chemical group, said it and Dutch state-owned development agency NOM expect to sell their stakes in glass fibre firm Silenka to PPG Industries of the US. If finalised, the deal will give PPG full ownership of Silenka, set up in 1961 as a joint venture by PPG and Akzo. In 1989, Silenka had sales of about $120m.

■ Glaverbel, the Belgian glass-making subsidiary of Japan's Asahi Glass, raised its stake in AFG Industries to 26.6 per cent from 19.7 per cent as part of a plan to acquire the US. glass-maker.

Glaverbel bought 4.3m ordinary shares in AFG from two investor groups which participated along with Glaverbel in the 1988 management buy-out of AFG. Terms of the purchase were not disclosed.

■ Kaufhof Holding, the large West German department store group, citing gains in its core department stores, said group sales rose 8.1 per cent in the first four months of 1990 to DM4.139bn ($2.5bn) from DM3.83bn a year earlier. The company has said it plans a DM380m rights issue.

■ Feldmühle Nobel, the West German chemical, engineering and paper group in which Stora of Sweden recently took an 86 per cent stake, said pre-tax profit climbed slightly in the first quarter on sales that rose 4.3 per cent to DM2.3bn from DM2.2bn in the year-earlier quarter.

Crédit National to float equity arm

By George Graham

CREDIT National, the French long-term credit institution, is floating its equity investment subsidiary, Financière Saint Dominique, on the stock market through a FFr661m ($116m) capital increase.

Saint Dominique has already obtained a listing through the takeover of a quoted shell company, but remains for the time being 97.7 per cent owned by Crédit National. After the capital increase, some 40 per cent of its capital will be publicly held.

The company, which made net profits of FFr74.3m last year, will offer new shares, each with an attached warrant, at FFr185 each. Two warrants will allow an investor to subscribe to a new share at FFr210 up to June 30, 1993.

Saint Dominique was created in 1988, and regroups a variety of Crédit National's activities in equity investment and development and venture capital, such as Sofinnova or Euro Synergies, in which it partners Hambros of the UK, Crediop of Italy and Bayerische Vereinsbank of West Germany. It has also launched a specialist LBO and LMBO financing fund.

The company's book value was recorded in Crédit National's accounts at the end of 1989 at FFr906m, but the value of its portfolio at was then estimated at FFr1.5bn.

Banco Central up 100%

By Peter Bruce in Madrid

CONSOLIDATED pre-tax profits for the first three months of 1990 at the big Spanish commercial bank, Banco Central, rose more than 100 per cent to Pta30.2bn ($288m), the bank reported yesterday.

Banco Central, which recently rid itself of a hostile 13 per cent shareholder and distributed the shares into friendly hands in Spain, France and the US, said the spectacular rise in profits was due to strong improvements in its interest margin, which grew nearly 28 per cent to Pta48.5bn in the first quarter.

Analysts believe Banco Central's decision not to enter into the scramble between most of its rivals to attract customers to high interest-bearing accounts has paid dividends on the profit and loss account.

Overall 1990 profits at most big Spanish banks (apart from Central and Banco Popular, which has also remained clear of the current account war), are likely to be damaged to some extent by the new accounts.

Banco Espanol de Credito (Banesto), one of the Big Six commercial banks in Spain, has begun issuing American depositary receipts (ADRs) in New York.

West German retailer to raise dividend

AVA Allgemeine Handelsgesellschaft der Verbraucher, the West German retailing company, said it would more than double its 1989 dividend and issue new shares to end a dispute with a dissident shareholder group, AP-DJ reports.

AVA said it would boost its 1989 dividend to DM40 from DM15 in 1988. It will also engineer a stock split to reduce its share price from its current level above DM1600 ($952).

The company will increase the number of shares outstanding by issuing free shares.

Danzas to raise dividend and pay bonus

By William Dullforce in Geneva

DANZAS, Europe's biggest international freight forwarding group based in Basle, is increasing its dividend and paying a 175th anniversary bonus after posting a 17 per cent increase to SFr12.6m ($8.9m) in the parent company's 1989 net earnings.

Gross turnover, generated from 706 offices in 34 countries, climbed last year by 16 per cent to SFr8bn; excluding acquisitions the growth rate was 13 per cent. Parent company turnover was SFr3.3bn, a rise of 14 per cent which Danzas says was above average for the industry. It publishes no consolidated profits.

The board plans to raise the dividend from SFr90 to SFr100 per registered share and from SFr9 to SFr10 per participation certificate. It also plans to pay bonuses of SFr20 per share and SFr2 per certificate.

The Swiss group has been investing heavily to reinforce its position inside the European Community and to expand its worldwide distribution network. Capital spending is scheduled to remain this year roughly at the SFr158m level reached in 1989 while continued growth is forecast in both turnover and earnings.

Key acquisitions last year included Northern Air Freight in the US and Samec, an industrial distribution company, in Italy. Danzas said it was also laying the groundwork for expansion in Eastern Europe.

INTERNATIONAL COMPANIES AND FINANCE

NZ Telecom attacks level of state dividend

By Terry Hall in Wellington

TELECOM Corporation, which is due to be privatised by the New Zealand Government over the next two months, yesterday attacked the level of dividend the state was requiring it to pay.

The utility reported a 6.2 per cent lift in profit to NZ$257.4m (US$147.9m) for the year to March. The Government is taking a total dividend of NZ$196m, up from NZ$185m and representing 77 per cent of its profit. Mr Peter Troughton, managing director, described this as "grossly high" and "rape" of the company's profits.

He said the company argued bitterly with the Government each year about the amount of cash it took out of the business. "We hope the change of ownership will ensure that sensible, reasonable dividends are extracted from the company rather than this grossly high level we have been paying."

Prospective foreign bidders have been scrutinising Telecom. Mr Troughton said the main interest had come from the US. Southwestern Bell, one of the regional telephone groups, this week received regulatory clearance from the Commerce Commission to make its bid.

The Government plans to restrict the foreign shareholding to 49.9 per cent, retaining a 0.1 per cent "Kiwi" share and selling the rest in a stock market flotation originally expected in June or July, but now believed to be later.

The improved profit follows a big restructuring of Telecom. Accounts updated since the year-end show much of the NZ$386m restructuring costs have gone towards redundancy payments, amounting to NZ$229m, with staffing costs falling from NZ$459m in the 1988-89 year to NZ$382m. The corporation shed around 1,900 staff in that period.

Mr Troughton spoke of increased efficiencies and improved technology, saying the company was one of, if not the, most modern telecommunications company in the world.

Telecom spent NZ$840m on capital investment in the period, and expects to spend a further NZ$780m in the current year, dropping to around NZ$500m by 1993 as the modernisation programme is completed.

The main growth came from the company's new ventures, including its revamped yellow pages, and its cellular telephone and radio paging businesses. Those ventures had a growth rate of 57 per cent, he said.

Telecom's income was NZ$2.29bn, up from NZ$2.16bn. Trading profit was NZ$548.4m compared with NZ$441.2m. Net interest costs were NZ$124.1m against NZ$104.8m.

Shareholders' funds rose to NZ$2.46bn from NZ$2.40bn. Total liabilities were given as NZ$1.74bn, against NZ$1.57bn, and assets as NZ$4.20bn (NZ$3.96bn).

Solid gains in Japan camera sector

By Michiyo Nakamoto in Tokyo

STRONG SALES of cameras boosted profits at leading Japanese companies in the sector in the year to March.

Minolta reported a 37.3 per cent gain in pre-tax profits to Y8.3bn ($55.5m) and a 37.1 per cent increase in net profits to Y4.1bn.

Sales rose 7.8 per cent to Y209.8bn, helped mainly by buoyant sales of new camera models, particularly a new automatic focus, single-lens reflex camera. In the camera division itself, sales rose 12.4 per cent to Y104.8bn.

Minolta, for which exports make up nearly 80 per cent of sales, estimates a 2.9 per cent gain in pre-tax profits for the current year to reach Y8.5bn.

Konica, Japan's second largest maker of photosensitive materials which also makes cameras, reported a 24.8 per cent rise in pre-tax profits to Y18.9bn. Steady sales in its cameras and optical equipment division and lower operating costs due to streamlining efforts helped it post the increase. Sales were up only 1 per cent to Y358.6bn, but after-tax profits jumped 41.5 per cent to Y8.5bn. Konica forecasts a 6 per cent rise in profits before tax to Y20bn for this year.

Another manufacturer, Asahi Optical, reported an increase in pre-tax profits, although it suffered a decline in sales and net profits. Asahi, which produces the Pentax brand, saw pre-tax profits surge 683 per cent to Y1.9bn in spite of a 0.7 per cent fall in sales to Y67.4bn. Net profits fell 38 per cent to Y434m.

The increase in pre-tax profits came mainly from foreign exchange gains, due to the yen's depreciation and a reduction in costs. A 40 per cent drop in sales of the company's video and other equipment weighed down on overall sales while sales of cameras rose only 4.4 per cent. Optical devices, however, were firm, with sales rising 28.9 per cent.

Asahi Optical estimates a 2.2 per cent fall in pre-tax profits to Y1.5bn for the current year.

Sluggish sales hurt drug company profits

SLACK SALES of drugs in Japan prior to a government-imposed price cut in April affected profits of some local pharmaceutical companies in the year to March. The industry leader, however, recorded an increase, Martina Gannon writes.

Yamanouchi Pharmaceutical, Japan's main manufacturer – which last week announced it would join with Genetics Institute of the US to develop and market a bone-forming agent – showed pre-tax profits of Y58bn ($387.5m), a gain of 3.6 per cent if extrapolated from the previous three-month term.

The rise was attributed to brisk sales of gastritis and ulcer drugs the company has developed. Yamanouchi is expanding aggressively overseas and also has a tie-up with Eli Lilly of the US.

Ono Pharmaceutical, which mainly sells directly to practitioners, had annualised pre-tax profits of Y26.1bn, a fall of 7.9 per cent. It has just changed its year-end. Ono's sales fell 3.5 per cent to Y69.3bn, and its net income was down 7.6 per cent to Y13.1bn on the same basis. Yamanouchi recorded a sales drop of 0.9 per cent to Y195bn and net income of Y27.6bn, up 3.2 per cent.

Taisho Pharmaceutical, which specialises in nutrients, tonics and other over-the-counter drugs, posted a pre-tax profit rise of 4.1 per cent to Y45.6bn. Sales were up 8 per cent to Y159.1bn and net income was Y20.7bn, up 1.7 per cent. The industry expects to see sales increase in 1991 after the implementation of price discounts. Ono sees its pre-tax profits going up 7 per cent to Y28bn, and sales rising by 4 per cent.

Yamanouchi estimates a profit growth slowdown in the current year, as exports of its ulcer agent will gradually cease when full-scale production begins in Ireland. It foresees pre-tax profits of Y60bn, up 3.3 per cent, and sales rising 2.5 per cent.

United Industrial in S$341m rights issue

By Joyce Quek in Singapore

UNITED Industrial Corporation (UIC), the Singapore conglomerate which has just accomplished the region's largest takeover, has been setting further records as it acts to pay the bill.

UIC now controls 72.6 per cent of Singapore Land, the leading property group, after this month's S$2.6bn (US$1.4bn) bid. At the weekend it launched the island's biggest rights issue, seeking to raise S$341m, and announced yesterday it was selling stakes in two buildings for S$64.6m.

The rights issue, of one new share for every two held, is priced at S$1, and is being accompanied by a bonus issue also on a one-for-two basis. Shares in UIC – which has become the island's largest listed company – have been trading around S$2.85.

Singland itself has also announced plans for a scrip issue, but at the steeper ratio of two for one. It is believed to be drawing in part on property revaluation reserves to do so.

This move followed its first board meeting attended by representatives of the new parent company. It may facilitate a UIC plan to sell down its stake to around 51 per cent, reaping a profit while retaining control and the ability to consolidate Singland in its accounts.

Singland shares closed at S$15.70 yesterday, against the S$15 bid price paid by UIC.

The Singapore Stock Exchange authorities have been taking a stern line on generous scrip issues. Revaluation reserves are expected to account for a third of the Singland issue, with the rest drawn from its share premium account, which is regarded as offering greater security. According to one stockbroker, this may be enough to gain official approval.

The sale of UIC's one-third share in the Supreme House complex and half of Inchcape House to its partner, Wing Tai Holdings, will realise a S$32.1m extraordinary profit.

Mr Oei Hong-Leong, UIC's president, has joined the Singland board along with chairman Mr Lee Kim Yew (a brother of Prime Minister Lee Kuan Yew) and Mr Leong Chee Whye, managing director.

Bridge Oil of Australia to buy assets from USX

BRIDGE OIL of Australia is to buy US oil assets from USX, the steel and resources group, for A$200m (US$159m), Reuter reports from Sydney.

Mr Robert Strauss, Bridge Oil chairman, told the annual meeting the purchase was mainly gas reserves and some oil production. The deal covers reserves of 37.4m barrels of oil equivalent and exploration acreage. The purchase would be partly funded by a renounceable one-for-three rights issue at 75 cents a share, he said. This would be underwritten by Elders Resources NZFP, which has a 42.5 per cent stake in Bridge. The southern Texas operations being bought from TXO Production, a CSX unit, were close to existing Bridge Oil activities and would double Bridge's oil producing capacity in the US.

The purchase would raise company reserves by 49 per cent to 113m barrels, production by 65 per cent to 33,000 b/d a day and lift net earnings 44 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Canadian court blocks CanPac share plan

By Robert Gibbens in Montreal

THE ONTARIO Supreme Court may derail Canadian Pacific's plan to spin off its C$4bn (US$3.38bn) property subsidiary, Marathon Realty, to its common shareholders.

Last December CanPac decided as part of a "poison pill" package to distribute one share of fully-owned Marathon for every four CanPac common shares held. CanPac was to continue to hold 20 per cent of Marathon.

The spin-off was approved by CanPac shareholders at the May 2 annual meeting. But CanPac had to obtain Ontario Supreme Court approval and this has been refused.

Justice Allan Austin ruled that CanPac's plan was not reasonable and fair. He said the company's common and preferred shareholders were being treated differently and he was concerned by the size of Marathon's assets.

The judge accepted the argument of CanPac's preferred shareholders that they were unjustly treated by being excluded from the distribution while the pool of CanPac assets available to pay preferred dividends was being significantly reduced.

A majority of CanPac's preferred shares is held by the Fielding family of Sudbury, Ontario, which fought the spin off in the courts from inception. An earlier court decision said the preferred shareholders were not entitled to the distribution, but that decision is under appeal.

CanPac said it was studying the latest court decision and might appeal.

Foreign investment boost for Swedish companies

By Robert Taylor in Stockholm

SWEDEN'S largest 20 companies earned 29 per cent more from capital employed overseas than from domestic operations over the past three years, an analysis by the Federation of Swedish Industries revealed yesterday.

Figures from the central bank, also released yesterday, showed that the net profit for Swedish companies from their foreign investments amounted to SKr8.4bn ($1.38bn) in 1988.

The federation study argues that profits made by Swedish companies from their domestic industrial activities are less not only than those earned on their foreign operations but also on their financial investments at home.

The study indicates that between 1985 and 1988 there was a 110 per cent growth in the volume of gross investment flowing out of Sweden from the country's leading 20 companies, which account for 86.5 per cent of all those employed abroad working for Swedish concerns and 37.5 per cent of all industrial workers employed in Sweden.

The expansion abroad was greatest among those companies that continue to retain a relatively large part of their production facilities inside Sweden, such as Volvo and Saab-Scania, the forestry companies Stora, MoDo and SCA, and pharmaceutical concerns Pharmacia and Astra. They accounted for a 267 per cent growth in outward investment over the three-year period.

At the same time there has been a relative decline in the volume of domestic investment by the other significant Swedish companies, which have traditionally had far more of their production facilities abroad.

Companies in this category include engineering concerns such as Esab, Atlas Copco, SKF, Aga and Sandvik as well as Ericsson, Electrolux and Esselte. That group reduced their home investment by 21 per cent between 1985 and 1988 while increasing their outward investment by 28.7 per cent.

The authors of the study are particularly concerned by the imbalance between inward and outward corporate investment in Sweden compared with other western European countries. In 1988 they calculate the outflow from Sweden was the equivalent of 7 per cent of the country's gross national product but there was an inward flow of investment of only 1.3 per cent of the GNP. Only Finland and West Germany had a similar imbalance.

Blame is placed on "high tax pressures and an ineffective use of resources in the public sector" for the investment outflow as well as "uncertainty over Sweden's position with the European Community and future energy needs," labour shortages, excessive cost increases and high sickness absenteeism.

Earnings at Nat-Ned battered by winter gales

By Laura Raun in Amsterdam

HEAVY GALES that lashed north-west Europe in January and February battered Nationale-Nederlanden, sending the big Dutch insurer's first-quarter earnings 37 per cent lower.

Net income dropped to Fl 98.7m ($52.5m) in the first three months from Fl 155.5 a year earlier, according to Nat-Ned, which had warned in April of heavy claims arising from the hurricane-force winds. Net claims of Fl 69.4m from direct business were fully charged to results for the first quarter.

Another Fl 15.8m in net claims from reinsurance will be charged to subsequent financial years.

Nat-Ned said yesterday it still expected profits for all of 1990 to equal the record Fl 973.3m of 1989.

Non-life insurance activities swung into the red with losses of Fl 122.1m in the opening period from a Fl 19.2m profit a year earlier.

The bad weather in Europe and high claims in North America were blamed for the deterioration.

"Companies in The Netherlands, Belgium and the UK carry extensive portfolios in which the storm risk is covered," Nat-Ned explained. "Therefore the group was confronted with over 130,000 claims from its direct business alone."

Earnings in life insurance jumped 28 per cent to Fl 95.1m from Fl 74.2m, fuelled by operations in The Netherlands.

Profits in professional reinsurance almost doubled to Fl 8.5m from Fl 4.7m.

Revenue fell nearly 6 per cent to Fl 6.1bn in the first quarter from Fl 6.48bn a year earlier, due to adverse foreign exchange movements.

Professional reinsurance and investment operations reported considerable increases.

Opening setback for Trelleborg

By Robert Taylor

TRELLEBORG, the Swedish industrial group with interests in mining, rubber, plastics and chemicals, yesterday reported a disappointing fall in net profits for the first four months of the year, falling 11 per cent to SKr904m ($149.4m) from SKr1.02bn in the same period in 1989.

Sales rose 7 per cent to SKr9.39bn from SKr8.78bn.

This is Trelleborg's first setback after seven years of often phenomenal growth. It came on the day that Mr Rune Andersson, the company's chief executive, became president. He is to be replaced by his close associate Mr Kjell Nilsson.

The company has revised downwards its earlier profits forecast for this year to between SKr2.1bn and SKr2.4bn, although this is dependent on an upturn in metal prices. Trelleborg blamed the profits drop in the January-April period on fluctuating world prices for nickel, zinc and copper.

It pointed out that the average price of nickel last year was $5.47 a lb compared with $3.81 for the first four months of 1990, with a rise to $3.98 this month. Trelleborg also said the price of copper and zinc had improved recently after falls earlier in the year.

Results in business areas outside mining and minerals – covering building, distribution, rubber and plastics and chemicals – were the same or better than those in the opening four months last year.

However, the company pointed out that high Swedish costs and a downturn in demand from Swedish manufacturing had also hit its profits. A programme of measures had been launched in the Swedish units of production to adjust to this situation, it said yesterday.

It suggested that the effects of these measures, as well as favourable international growth in business in most of the larger western economies and a continuing satisfactory growth in the Swedish building industry, would lead to better results in 1990, exclusive of mining and metal activity.

In his inaugural address to shareholders, Mr Nilsson painted an optimistic picture of Trelleborg's growth potential in the 1990s, based on strong investments planned around the world for roads, railways, bridges and other infrastructure projects.

"Trelleborg stands well prepared when the demand for infrastructure investment begins to grow," he said.

Molex builds bid defences

By Barbara Durr in Chicago

MOLEX, the Chicago-based electronic connector manufacturer, has moved to create a new class of non-voting common stock and a new class of "blank cheque" preferred stock.

The step was described as an anti-takeover measure by the Krehbiel family, which owns 47 per cent of the company.

Molex stock is traded on Nasdaq, the London International Stock Exchange and the second market of the Paris stock exchange. The company's 1989 sales, 71 per cent of which were foreign, were $571.9m on income of $57.7m.

The company said that while no corporate predators were currently making overtures, the anti-takeover step was taken as a precaution and to increase Molex's potential to make acquisitions. No particular acquisition is contemplated at present, according to the company.

Molex will now have 60m new non-voting shares of class A common stock and 25m new shares of "blank cheque" preferred stock. The issuance, terms and conditions of the latter are to be decided by the board of directors.

Venezuela oil group to invite joint projects

By Steven Butler in London and Joe Mann in Caracas

PETROLEOS de Venezuela (PDVSA), the Venezuelan national oil company, is moving swiftly toward arrangements that would allow foreign companies rights to explore for and produce oil and gas in Venezuela, Mr Andres Sosa Pietri, PDVSA president, said in London yesterday. This would be done in joint ventures with the oil company.

Although Mr Sosa Pietri denied that this was a big shift in policy, oil companies will see the announcement as an historic opportunity to return to exploration and production in an area where they have been barred from activity since 1976, when Venezuela's oil reserves were nationalised.

Mr Sosa Pietri said PDVSA expected to make final recommendations on partners for a $2.5bn liquefied natural gas (LNG) plant it planned to develop in coastal waters between north-eastern Venezuela and Trinidad. The project would need legislative approval.

The project, called "Cristobal Colon" (Christopher Columbus), involves the exploitation of large undersea deposits of natural gas discovered in the Gulf of Paria in 1978. The goal is to produce and liquefy gas from the deposits and export about 675m cu ft per day of LNG, mostly to clients in the US.

Venezuela is looking for foreign partners to provide financing, technology and access to international markets. According to petroleum industry sources in Caracas, PDVSA has held serious discussions on a potential partnership in the venture with Royal Dutch/Shell, BP, Mitsubishi, Total, Exxon and Texaco.

PDVSA would take between 32 and 40 per cent of the project.

As it currently stands Lagoven, a PDVSA subsidiary, plans to drill about 55 offshore gas wells and lay a 45km gas pipeline to shore, hooking up with a new gas separation and liquefaction plant. From there LNG will be loaded on to special seagoing tankers.

Mr Sosa Pietri said that all of the leading oil companies had expressed interest in producing oil in Venezuela, and that PDVSA would enter into joint venture arrangements with companies that could help it secure markets for its products or offer technical co-operation. He said PDVSA did not need partners for financial support.

He hoped to cement the company's relationship with Veba, the German oil company, in a range of projects and that a partnership with Veba would open opportunities for Venezuela in eastern Europe.

Although the Venezuelan Government would retain ownership of petroleum reserves, joint venture companies with foreign partners would have rights to market produced oil after paying a royalty. Discussions were at a preliminary stage.

Although the move would require legislative approval, Mr Sosa Pietri insisted they would be very different from old-style oil concessions or service contracts.

● PDVSA will lose an estimated $260m this year on domestic sales of petrol unless the Government approves price increases for the product, the company said.

The company, which has been profitable since it was set up in the mid-1970s, has lost money on domestic petrol sales for the last few years. High-octane petrol for motor vehicles in Venezuela now retails at the equivalent of $0.23 per US gallon, the lowest price in the world.

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INTERNATIONAL CAPITAL MARKETS

Early gilts surge dies as ERM rumours fade away

By Stephen Fidler in London and Janet Bush in New York

UK GOVERNMENT bonds rallied strongly yesterday as stories circulated that the Chancellor, Mr John Major, was to announce a softening of the terms for sterling's entry into the exchange rate mechanism of the European Monetary System. But the rally faded as Mr Major's speech to the Organisation for Economic Co-operation and Development in Paris contained no such message.

Longer maturity paper finished the day up to ½ point higher, but this was off the day's highs when the market was up more than a point. Futures trading was busy, with activity in the long gilt future surpassing that in the Bund. Futures opened higher than at the close but ended the day little changed. The continued strength of sterling – it rose briefly above DM2.85 yesterday – underpinned the market generally.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93.7500	+0.219	12.85	12.52	13.62
		10.500	5/99	91.3125	+0.406	12.11	12.03	13.15
		9.000	10/08	83.4687	+0.563	11.12	11.08	12.01
US TREASURY *		8.875	05/00	101.5938	+0.250	8.63	8.64	9.05
		8.750	05/20	101.4375	+0.375	8.61	8.58	9.03
JAPAN	No 119	4.800	6/99	[illegible]0448	+0.295	6.95	7.08	7.39
	No 2	6.700	3/07	93.1667	+0.067	6.55	6.84	7.13
GERMANY		7.750	02/00	93.8700	+0.150	8.68	8.74	8.80
FRANCE	BTAN	9.000	02/95	98.4857	+0.001	9.94	9.93	9.99
	OAT	8.500	03/00	93.1700	+0.070	9.55	9.56	9.86
CANADA *		10.500	07/00	92.7000	+0.900	10.85	11.19	11.57
NETHERLANDS		9.000	05/00	100.4000	+0.130	8.94	8.95	9.00
AUSTRALIA		12.000	7/99	92.1437	-0.457	13.51	13.50	13.80

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

The meeting of the Bundesbank Council today was not expected to have a major impact. Neither did the German inflation figure for May showing a provisional 2.3 per cent year-on-year rise.

The comparable figure for France in April was 3.2 per cent, underlining some weakening in recent days of the French market against the German. The yield spread between the two markets was 88 basis points today, up 10 basis points over the last few days. Futures prices on the Matif in Paris improved about 18 centimes.

■ US TREASURY bonds were quoted modestly higher at midsession, reacting little to yesterday's release of April leading indicators, in advance of a sale of $12bn in cash management bills.

At midsession, the Treasury's benchmark long bond was quoted ⅜ point higher for a yield of 8.61 per cent.

Leading indicators fell 0.2 per cent, in line with expectations. March's indicators were revised to a gain of 1 per cent from 0.9 per cent previously reported. Sales of family houses declined by 1.6 per cent in April, also in line with forecasts, but the release was softer overall because March sales were revised to a fall of 8.4 per cent from 5.0 per cent previously reported.

The market traded quietly yesterday morning as traders waited for two auctions of cash management bills of $6bn each.

There was some buying support in the 10-year area of the yield curve related to a $500m 20-year Eurobond issue by Belgium. Traders said the issue generated swap purchases of 10-year Treasuries, estimating that several hundred million dollars were placed.

GOVERNMENT BONDS

■ PRICES started firmer in West Germany too, based on weakness in the dollar and amid some investor demand. But trading was moderate and the tone continued weak due to worries about the costs of German economic unification.

After the fixing about 40 pfennigs, prices weakened 10 pfennigs or so. Worries about the effect of political problems in the Soviet Union on the D-Mark helped to undermine the German currency.

Mexico plans first swap auction

MEXICO'S first debt-equity swap auction for $1bn of public sector long and medium-term liabilities will be held in July, writes Richard Johns in New Mexico.

Proposals must be submitted by July 9 and the results will be announced no later than July 23.

The $1bn in conversion funds at stake is part of the $3.5bn earmarked for debt-equity swaps during the 1990-92 period under the accord on the rescheduling and reduction of $47bn of liabilities finally concluded in March.

Only privatisations and infrastructure projects will qualify, according to the guidelines laid down by the Mexican Government.

Mexican investors can bid with the proviso that they repatriate money from off-shore accounts or export earnings.

The amount of debt conversion funds under the rescheduling accord now looks small in relation to the Government's increased privatisation programme. This now includes the two state-owned steel companies and the banks, in which 49 per cent foreign participation is envisaged.

The Cananea copper company, which is expected to be sold in the near future for about $500m, is likely to account for about a third of the first tranche of conversions funds on offer.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at [illegible] on May 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98¼	98¾		9.39
ALBERTA PROVINCE 9 3/8 95	600	99⅝	100⅛		9.36
AMERICAN GENERAL 9 3/4 95	100	96¼	97⅛	+⅛	10.77
AUSTRALIA 11 1/4 00	100	108	108⅝	+⅛	9.95
AUSTRIA 8 1/2 00	400	94	94½	+⅛	9.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.64
KREDIETCORP 7 93 LFr	1000	93	94	+⅛	9.63
WORLD BANK 8 96 LFr	1000	93	94		9.60
AMRO BANK 6 1/4 92 Fl	150	93	94¼		9.36
DENMARK 8 1/2 93 Fl	150	100⅛	99¾		9.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: [illegible] FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

Chile swaps crackdown hits bargain hunters

The government has tightened rules on debt-equity swaps as foreign investment increases, writes Leslie Crawford

Chile is introducing tougher criteria for the approval of debt-equity swaps as the country appears to be benefiting from a wave of direct foreign investment.

From now on, debt-swaps will only be approved for new investments, particularly those which generate exports or substitute imports. Using debt-swaps to buy existing Chilean companies is out, except when this forms part of a larger investment plan. Also out are swaps which aim to invest in the financial services, such as insurance and property.

Investment in existing equity of Chilean banks will be limited to 10 per cent of the value of the debt that is converted, while the percentage of any investment financed through a debt-swap which can be used to buy imports such as machinery will also have a 20 per cent ceiling. And except for rare exceptions, the Central Bank will no longer consider any proposal of less than $5m.

Chile's financial community had suspected that a change was in the offing because the approval of new debt-equity swaps had dwindled to a trickle since the beginning of the year. But when Mr Francisco Garces, the Central Bank's international director, announced the guidelines at a meeting of foreign investors in Santiago, the reaction was uniformly hostile.

The National Chamber of Commerce said the new measures "discriminated blatantly against domestic business" because Chilean companies would no longer be able to find foreign partners through the debt conversion mechanism. It also complained that the $5m floor would preclude investments in small businesses.

The measures were also denounced as smacking of old-fashioned state planning. "It is ironic," said one foreign banker, "that the autonomous Central Bank created by the former military regime to safeguard the free market system is adopting an interventionist role while the new civilian Government makes speeches in defence of private enterprise."

The banker also questioned the wisdom of restricting the freedom of foreign investors in Chile as Brazil and Argentina were reviving their debt conversion schemes.

In reality, the Central Bank-bashing last week had probably more to do with the deep unpopularity of its restrictive monetary policies. The Central Bank engineered a sharp rise in interest rates at the beginning of the year in an attempt to cool Chile's overheated economy and to tame inflation. The policy has slowed the economy, which is now growing at about half the 10 per cent registered last year, but inflation reached an annualised 24.8 per cent in April and the Central Bank says the credit squeeze will last until the rate falls below 20 per cent.

Mr Garces defends the stricter guidelines for debt-equity swaps on two grounds. Planned foreign investment in Chile totals some $13bn over the next five years, equivalent to more than 50 per cent of last year's gross domestic product. So the Central Bank believes that additional incentives, such as the implicit subsidy contained in the discount available to foreign investors who buy Chilean debt on the secondary market, are no longer required.

Second, the success of Chile's debt conversion programme has reduced the amount of eligible debt from $14.5bn to $5bn since the debt-equity swap scheme was launched in 1985. And of the $5bn left – Chile's outstanding medium and long-term debt with commercial banks – only about half is tradeable on the secondary debt market.

"The new guidelines are not interventionist," says Mr Garces. "They simply spell out the selection criteria the Central Bank had been using for some time."

Investment analysts in Santiago reckon that Chile's debt conversion scheme was nearing the end of its useful life. Foreign investors are beginning to see advantages in bringing fresh capital into the country rather than opting for a debt-equity swap.

And with the price of Chilean debt rising on the secondary market (at 65 cents per dollar of face value, it commands the lowest discount of any rescheduling country), the most likely users of the debt-swap mechanism will be Chile's commercial bank creditors themselves.

INTERNATIONAL CAPITAL MARKETS

Belgium's $500m investor put option divides opinion

By Andrew Freeman

A $500m 20-year deal with an investor put option after 10 years was launched for the Kingdom of Belgium on the Eurobond market yesterday. The issue, brought by Shearson Lehman Hutton, divided opinion among the underwriting community.

Belgium invited bids some time ago and is thought to have met a keen response from syndicate managers. Several houses suggested the puttable structure which was used last year in a similar deal for Ferrovie dello Stato, the Italian state railway.

Shearson won the mandate by pricing the bonds to be re-offered at 99.80 with a 9.2 per cent coupon, giving a spread against 10-year Treasuries of 41 basis points. It claimed that other houses had submitted more aggressive terms, but when the deal was launched there was widespread comment that the terms were very tight and rivals said they had bid at a spread of around 48 basis points over Treasuries.

Several leading houses in the Eurodollar market were pointedly absent from the final syndicate group and there were complaints that the practice of launching bought deals as fixed-price re-offers was damaging the market.

The syndicate agreement to offer the bonds at 99.80 was broken by Shearson early in the afternoon session and the bonds were quoted at 99.60 bid, a spread of 44 basis points. At the close in London, the price was unchanged and Mr Andrew Pisker, a syndicate manager at Shearson, said: "We are very happy at the distribution we have seen."

Others were less happy and said sales had been relatively slow: "It's a hard sell," was one trader's comment.

The deal aroused debate on several fronts. Underwriters put different values on the 10-year put option, but several syndicate members broadly agreed with Shearson's suggestion that the option was worth

INTERNATIONAL BONDS

21 basis points in yield terms over 10 years. The lead manager reached the launch spread by deducting this value from its theoretical pricing for a straight 10-year deal for Belgium of 62 basis points over Treasuries.

European houses said the structure had found its best reception in the US market where option evaluation was most sophisticated. The deal took advantage of the recent Rule 144a allowing direct placement of the paper in a registered form with large US investors. The possibility that a proportion of the issue would end up as registered securities led to some queries as to why the whole deal had not been launched in that form.

There was specific European demand for the paper, however, particularly if syndicate members gave up their fees to place paper at a spread of 46 basis points or higher. Most houses agreed that there would have been stronger demand from the outset if the terms had been more generous.

The proceeds are understood to have been swapped into floating-rate 10-year funds to achieve a funding rate of around 35 basis points below London interbank rate. The Belgian Treasury said the proceeds would be used to pay off a revolving credit.

Elsewhere, new issue activity was slower than on Tuesday, but the market's tone remained firm. In Switzerland, steady buying from investors saw many issues close with gains averaging between ¼ and ¾ point.

After winning the mandate several weeks ago, Union Bank of Switzerland finally brought a SFr150m 10-year deal for the Asian Development Bank to a fine reception. The issue was increased from SFr100m during syndication, and the paper traded strongly despite comment that the terms were tight. UBS was quoting the bonds at less 1¼ bid, inside full fees.

In Germany, traders reported better sentiment, but trading volumes remained low. The DM125m five-year deal for Nacional Financiera, the Mexican development bank, was increased to DM150m after steady retail demand for the attractive 11 per cent coupon. The increase held the price back to the full issue level of 100, against Tuesday's close of 100.10 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Belgium, Kingdom of(g)◆	500	9.2	99.80	2010	32½/20bp	Shearson Lehman Hutton
Nissan Int. Finance(d)◆	50	(d)	101⅛	1993	1⅞/⅞	IBJ Int.
Hovedstadsreg. Naturgas(a)◆	25	20	101	1991	1/½	Manufacturers Hanover
AUSTRALIAN DOLLARS						
Council of Europe(f)◆	50	20	101⅛	1991	1/⅛	Bankers Trust Int.
NEW ZEALAND DOLLARS						
ANZ Banking Group(b)◆	50	14	101.95	1992	1¼/⅞	Fay, Richwhite
YEN						
World Bank(b)◆	15bn	6⅝	100⅛	1995	⅛	Norinchukin Int.
Cassa Risparmio d'Torino(e)◆	3.5bn	9	101⅛	1991	1⅞/⅝	Nomura Int.
SWISS FRANCS						
Asian Development Bank(b)◆	150	7⅛	102	2000	2	UBS
D-MARKS						
Nacional Financiera(c)◆	150	11	100	1995	2/1¼	Dresdner Bank

◆Final terms. a) Borrower option to redeem in Sterling. Unlisted. b) Non-callable. c) Issue increased from DM125m. Non-callable. d) Step-down coupon: First year 10.855%, second year 9.872% and third year 7.673%. Non-callable. e) Launched in two tranches, one of Y3bn and one of Y500m. Redemption linked to Nikkei stock index (different strike prices). f) Borrower option to redeem in C$ at exchange rate of 0.865. g) Put option after 10 years at par. Non-callable. Fixed re-offer price.

Kemper to restructure brokerage operations

By Karen Zagor in New York

KEMPER Corporation, a holding company for several insurance, asset management and brokerage businesses, is to restructure its brokerage operations, resulting in an after-tax charge of $126.5m or $2.59 a share against second-quarter earnings.

The Chicago-based company said it would cut the workforce at its five regional brokerage firms by about 12 per cent. More than 600 jobs are expected to be lost before the end of the year.

Under the restructuring plan, Kemper's brokerage houses will operate as divisions, sharing some administrative support services at Kemper Securities Group Holdings, which will be responsible for the brokerages' financial management.

The company believes that it will improve its risk management by centralising the capital committing process and certain trading activities.

Kemper, which last year had second-quarter net income of $54.4m or $1.09 a share, has set an $18m after-tax charge for the cost of restructuring, in addition to the second-quarter charge of $126.5m.

"The $18m reserve would be used to cover such restructuring costs as employee-related expenses and systems, operations, legal and accounting costs," said Mr Thomas Anderson, chairman and chief executive of Kemper Financial Companies.

The company expects after-tax savings of more than $30m a year once the restructuring is completed in 1991.

DTB may seek link with US exchange

DEUTSCHE Terminbörse (DTB), West Germany's futures and options exchange, is seeking access to US investors which could include setting up links with a US exchange, Reuter reports.

Mr Wilhelm Brandt, a DTB official visiting the US, said "We must find ways to satisfy the demand for DTB's products" in the US.

Paper mountain thwarts Madrid

Explosive growth of the pagares de empresa – commercial paper – market is beating the Government and the Bank of Spain as they attempt to cool the country's economy, write Peter Bruce and Tom Burns

Efforts by the Spanish Government and the Bank of Spain to cool the economy through some of the toughest credit measures it has imposed have been undermined in the last eight months by the explosive growth of what is now estimated to be the largest commercial paper market in Europe.

Companies desperate for funds following the Central Bank's decision last summer to impose limits on commercial bank lending are thought to have issued paper worth more than $10bn in official and over-the-counter primary markets since the credit crackdown.

This has doubled the size of the Spanish commercial paper market to around $20bn, made a near nonsense of the Government's apparent success in holding down ALP – the broad money supply measure which does not include commercial paper – and halted the slow decline in Spanish interest rates.

The Governor of the Bank of Spain, Mr Mariano Rubio, recently vented his frustration with the *pagares de empresa* market when he said that bank lending limits would probably be lifted by the end of the year because they would be "condemned to inefficiency" in the medium term by the stampede into commercial paper.

The Governor's statement partly countered a suggestion from the Finance Minister, Mr Carlos Solchaga, that the credit squeeze might have to continue into 1991, partly because of the way the commercial paper market had flourished.

"The restrictions will be lifted when they have had their effect on demand for credit," he said. Domestic credit increased by a yearly 21 per cent in April, well above the Government's 10 per cent target for 1990. Against a 1990 target of 5.7 per cent, Spanish inflation is running at around 7 per cent.

Some analysts are beginning to liken the phenomenon of a rapidly growing commercial paper market to the rise of the US junk bond market in the 1980s, not least because of the popularity of *pagares* with foreign investors.

"You have unrated companies issuing *pagares* at 16 per cent," says one Madrid broker. "Some of the issues are really junk bonds in disguise. It is not normal that the Treasury should issue [Bills] at 14.5 per cent and that a small company without a rating should issue at 15 per cent."

Spain's large commercial and savings banks – which have been acting as intermediaries, though not generally as underwriters, in the commercial paper boom – fear a Bank of Spain clampdown. "The Bank of Spain has to react," says Mr Pedro Martin-Artajo of Banco Hispano Americano. "It may increase reserve ratios, ordering the banks to create a cash reserve for their mediation and in this way the mediation will have to appear on bank balance sheets."

Mariano Rubio: lending limits 'condemned to inefficiency'

It has been estimated that at least half the commercial paper issues made in the past eight months have been unsupervised, over-the-counter transactions, prompting bitter reactions from some bankers who have had to make drastic cuts in their 1990 lending programmes to meet the Central Bank's credit limits.

"We knew that in a free market someone would sooner or later come up with a way around the credit restrictions," says a weary government official, "but we didn't expect it to happen so quickly." The rise of the short-term *pagares* has, for the moment, badly damaged the Treasury's attempts to promote longer term bonds and to slowly draw down interest rates.

In fact, the gentle decline in Treasury Bill yields earlier this year appears to have been reversed to meet the challenge from *pagares de empresa*.

Yields on *pagares* need to fall to just below the 12-month Madrid interbank rate (around 15.5 per cent) to make it worthwhile for companies to issue them, but rise to just above Treasury Bill yields (14.5 per cent) to encourage people to buy them. The two forces are at an impasse. The Government cannot continue raising interest rates without surrendering its credibility due to its commitment to reduce them. But the *pagares* market works on margins so thin that it is only able to survive if volumes are high.

Senior bankers, however, forecast that the growth in *pagares* will continue this year. "There has been a major increase in the secondary market and this will grow too," is one confident prediction.

Eskom refinances foreign bonds

By Stephen Fidler, Euromarkets Correspondent

ESKOM, South Africa's state electricity commission, plans to refinance half its foreign bond issues that mature in 1990 and 1991, according to the organisation's general manager for finance, Michael Davis.

Mr Davis, in London yesterday, said his company had about R700m ($175m) in bond issues maturing in both 1990 and 1991.

Eskom has completed its capital spending plans and has no need for foreign finance, but this may change later in the decade and the organisation wants to keep its name alive in the international bond market, he said.

He said the company managed last year to issue a SFr50m private placement in Switzerland, about half a maturing issue. For this the company paid a premium of some 1¼ percentage points over conventional sovereign borrowings, he said.

Earlier this year, a new issue in the German market refinanced more than half a maturing issue. This DM100m issue carried a three-year term, a par price and a coupon of 10¼ per cent.

Over 1990 and 1991, the organisation had bonds maturing in both D-Marks and Eurodollars, and the improved prospects for social reform in South Africa had improved the chances of refinancing portions of these issues, he said.

He said some $1bn of Eskom's debt had been converted to 10-year loans under the second interim arrangement between banks and the Government. Some banks had expressed willingness to convert further loans under the new arrangement starting this year.

Of the company's $5bn in foreign debt, some 70 per cent was at floating rates. This involved the company actively in risk management in the international swap and other markets, for which it had established credit lines with several financial institutions.

Austrian state concern plans Sch3bn issue

AUSTRIAN Industries, part of the OIAG state industrial group, plans to issue a Sch3bn bond convertible into shares in a flotation due to take place within three years, Reuter reports.

The issue, the first of its kind in Austria, would be the first step towards listing Austrian Industries on the Vienna Bourse and possibly other international exchanges.

The five-year bond, with an indicated 6 per cent coupon, will be set on June 19 with a payment date of July 2. It is be backed by a consortium of Austrian and international banks.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed May 30 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue May 29 Index No.	Fri May 25 Index No.	Thu May 24 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	891.84	+1.5	13.00	5.08	9.31	16.08	878.92	868.40	869.67	960.52
2	Building Materials (27)	1117.67	+1.7	14.15	5.31	8.73	21.22	1098.72	1083.19	1082.31	1205.62
3	Contracting, Construction (36)	1372.64	+1.1	17.47	5.98	7.45	33.82	1357.93	1348.98	1357.33	1675.82
4	Electricals (10)	2532.36	+0.8	11.23	5.29	10.95	61.43	2512.63	2499.80	2513.21	2787.14
5	Electronics (29)	1880.93	+1.4	9.65	3.94	13.41	19.83	1855.74	1833.33	1848.12	2226.79
6	Engineering-Aerospace (8)	481.22	+1.7	13.49	4.84	8.84	9.31	473.12	467.59	469.18	0.00
7	Engineering-General (43)	487.09	+1.4	11.58	5.14	10.43	8.40	480.48	478.85	477.18	0.00
8	Metals and Metal Forming (6)	494.17	+0.3	23.77	6.32	4.74	2.31	492.85	487.45	491.12	544.03
9	Motors (16)	358.82	+0.8	15.36	6.28	7.60	9.64	355.86	352.57	349.24	322.34
10	Other Industrial Materials (24)	1634.81	+2.0	10.88	4.87	10.61	33.09	1602.42	1573.55	1571.56	1569.69
21	CONSUMER GROUP (178)	1289.10	+2.1	9.38	3.88	13.20	17.96	1262.27	1250.67	1257.56	1205.90
22	Brewers and Distillers (21)	1541.47	+2.4	9.94	3.75	12.17	20.38	1505.34	1488.30	1501.45	1298.74
25	Food Manufacturing (20)	1087.96	+1.1	10.35	4.37	11.94	17.73	1076.01	1061.94	1063.25	1059.01
26	Food Retailing (16)	2521.73	+2.3	9.03	3.21	14.22	33.61	2465.03	2421.47	2418.96	2221.00
27	Health and Household (15)	2575.33	+2.2	6.68	2.68	17.81	24.15	2519.56	2515.16	2550.00	2223.30
29	Leisure (31)	1446.56	+1.4	9.90	4.21	12.29	23.99	1426.96	1409.43	1421.81	1663.46
31	Packaging & Paper (12)	590.36	+0.6	12.44	5.74	10.28	11.83	586.72	585.62	585.22	572.85
32	Publishing & Printing (16)	3443.04	+2.3	9.73	5.21	12.95	50.81	3364.00	3331.65	3336.97	3515.90
34	Stores (35)	814.00	+3.2	10.98	4.65	11.75	12.47	789.11	783.35	781.93	793.84
35	Textiles (12)	495.41	+0.9	13.07	7.22	9.73	16.06	490.76	492.35	493.58	541.64
40	OTHER GROUPS (105)	1176.70	+1.8	11.00	4.95	10.93	11.38	1155.92	1141.24	1150.57	1099.22
41	Agencies (17)	1661.34	+1.5	6.07	2.38	19.94	14.99	1636.25	1610.98	1614.72	1404.34
42	Chemicals (23)	1279.10	+1.9	11.11	5.16	10.52	31.08	1255.36	1239.90	1244.98	1260.99
43	Conglomerates (14)	1670.65	+2.5	10.09	5.92	11.90	14.41	1629.41	1600.54	1596.51	1578.83
44	Transport (13)	2259.58	+1.3	11.07	4.43	11.40	37.81	2231.52	2222.34	2227.18	2466.12
46	Telephone Networks(2)	1184.69	+1.9	11.01	4.64	11.82	0.00	1163.11	1149.22	1180.69	1103.81
47	Water(10)	1948.44	+1.1	17.89	6.95	6.19	0.00	1926.83	1909.83	1926.01	0.00
48	Miscellaneous (26)	1791.82	+1.5	11.59	4.73	9.85	19.15	1765.91	1741.81	1749.94	1518.55
49	INDUSTRIAL GROUP (482)	1168.38	+1.9	10.78	4.51	11.30	15.89	1147.04	1134.44	1140.52	1133.94
51	Oil & Gas (18)	2331.05	+1.9	11.64	5.22	11.34	46.43	2287.08	2259.65	2259.14	2023.18
59	500 SHARE INDEX (500)	1265.73	+1.9	10.90	4.61	11.31	18.34	1242.51	1228.69	1234.32	1209.54
61	FINANCIAL GROUP (188)	803.95	+2.5	–	5.72	–	19.06	784.37	775.18	776.01	726.56
62	Banks (9)	855.03	+3.3	19.19	6.29	6.82	25.62	828.04	814.54	815.72	716.37
65	Insurance (Life) (7)	1390.11	+2.8	–	5.28	–	36.94	1351.88	1351.29	1357.98	1026.64
66	Insurance (Composite) (6)	684.11	+2.9	–	6.04	–	19.43	664.60	654.44	650.74	572.84
67	Insurance (Brokers) (7)	1092.17	+1.7	7.92	5.96	16.63	27.41	1074.15	1065.06	1066.18	990.55
68	Merchant Banks (7)	441.78	-0.1	–	4.31	–	4.85	442.30	440.86	440.84	333.98
69	Property (47)	1100.69	+1.4	8.18	4.25	15.66	10.86	1085.87	1071.95	1076.35	1296.29
70	Other Financial (25)	311.11	+1.2	14.33	7.18	9.15	5.04	307.41	307.91	308.43	365.10
71	Investment Trusts (67)	1206.16	+1.3	–	3.22	–	13.32	1190.57	1191.21	1196.97	1146.99
91	Overseas Traders (5)	1410.50	+2.7	8.74	6.48	14.01	43.49	1372.87	1368.61	1375.21	1348.23
99	ALL-SHARE INDEX (680)	1154.29	+1.9	–	4.74	–	18.29	1132.24	1120.03	1124.61	1091.06

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 29	May 25	May 24	May 23	May 22	Year ago
FT-SE 100 SHARE INDEX‡	2346.2	+50.6	2347.2	2327.4	2295.6	2265.6	2277.1	2287.4	2311.3	2114.4

FIXED INTEREST

	PRICE INDICES	Wed May 30	Day's change %	Tue May 29	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.51	+0.22	115.26	–	4.71
2	5-15 years	120.79	+0.58	120.10	–	4.96
3	Over 15 years	123.87	+0.73	122.97	–	4.77
4	Irredeemables	141.69	+1.01	140.27	–	6.12
5	All stocks	121.09	+0.48	120.51	–	4.91
	Index-Linked					
6	Up to 5 years	144.62	+0.04	144.57	–	1.49
7	Over 5 years	137.24	+0.40	136.69	–	1.38
8	All stocks	137.68	+0.37	137.17	–	1.38
9	Debentures & Loans	98.07	+0.04	98.03	–	4.63
10	Preference	73.18	-0.25	73.36	–	2.99

	AVERAGE GROSS REDEMPTION YIELDS		Wed May 30	Tue May 29	Year ago (approx.)
	British Government				
1	Low	5 years	11.33	11.36	9.84
2	Coupons	15 years	10.98	11.07	9.45
3		25 years	10.87	10.97	9.30
4	Medium	5 years	12.31	12.41	11.05
5	Coupons	15 years	11.47	11.57	9.95
6		25 years	11.07	11.17	9.51
7	High	5 years	12.41	12.51	11.13
8	Coupons	15 years	11.74	11.87	10.15
9		25 years	11.34	11.48	9.66
10	Irredeemables	†	10.82	10.93	9.31
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.32	5.32	3.93
12	Inflation rate 5%	Over 5 yrs.	4.20	4.23	3.76
13	Inflation rate 10%	Up to 5 yrs.	4.26	4.26	3.18
14	Inflation rate 10%	Over 5 yrs.	4.02	4.04	3.59
15	Debs &	5 years●	14.65	14.66	11.77
16	Loans	15 years●	13.45	13.46	11.45
17		25 years●	13.02	13.03	11.34
18	Preference	†	12.60	12.57●	10.20

‡Opening index 2327.8; 9 am 2335.3; 10 am 2333.8; 11 am 2330.8; Noon 2334.4; 1 pm 2343.8; 2 pm 2344.7; 3 pm 2342.8; 4 pm 2345.0; 4.10 pm 2345.1; (a) 2.16pm (b) 8.32am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. ●CORRECTED FIGURES 29/5/90: Debenture yields: 5 yrs. 14.66, 15 yrs. 13.46 and 25 yrs. 13.03. Preference yield: 12.57. Amendments to the equity cumulative xd adjustment column which were omitted from 29/5/90 table are now shown above.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	2	0
Corporations, Dominion and Foreign Bonds	6	0	18
Industrials	624	166	791
Financial and Properties	307	76	359
Oils	24	17	48
Plantations	0	0	10
Mines	31	32	101
Others	90	31	123
Totals	1,169	324	1,459

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] (footnotes to Recent Issues tables)

TRADITIONAL OPTIONS

- First Dealings May 21
- Last Dealings June 1
- Last Declarations Aug. 16
- For settlement Aug. 28

For rate indications see end of London Share Service

Calls in First Australian Res., Control Secs., Atlantic Res., HK & Shanghai Bkg. and Thurgar Bardex. Put in Butte Mining. Put and call in Kwik-Fit.

LONDON TRADED OPTIONS

A very successful trading session in both futures and options reflected both underlying optimism over prospects for early British entry into the European Monetary System and a technical squeeze on market makers ahead of today's expiry of the FT-SE index option.

Volume in the options market jumped to 68,636 contracts from the 19,939 of the previous session, with yesterday's total split between 47,882 calls and 20,746 puts.

Traders said that business volume was encouraged from the outset by hopes – frustrated, in the event – that Mr John Major, the UK Chancellor, would disclose a date for British entry into the EMS when he addressed yesterday's meeting of OECD ministers in Paris.

Such hopes were reflected in an early premium of more than 40 points on the Footsie June contract.

This premium was trimmed after Mr Major's speech brought no news on EMS entry, but was then partly re-instated to show a premium of 32 points over the underlying Footsie index when futures business closed for the day.

Market makers were believed to be long on call options on the index future and thus faced pressure to buy the futures, and probably needed around 1,600 contracts, according to the market specialists.

In share options, there was demand for Rolls-Royce, which traded 4,906 contracts. Second in the actives list was Hanson, with 3,851 contracts traded as the market swirled with unsubstantiated hints that the often-predicted break-up operation might be under consideration.

Also busy were share options in British Gas (1,502 contracts) and the Euro FT-SE option which recorded 1,748 contracts. But traders stressed that the most heartening feature yesterday was the two-way character of the overall business.

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2346) [illegible]

Euro FT-SE INDEX (*2346) [illegible]

[illegible]

UK COMPANY NEWS

Increase of 19% achieved in spite of downturn in domestic sales

Continent pushes Siebe to £181m

By David Owen

SIEBE, the controls, engineering and safety equipment group, shrugged off a downturn in UK sales and reported a solid 19 per cent advance in pre-tax profits for the year to March 31 1990.

The group's shares responded accordingly with a gain of 14p to 489p.

Directors of the Windsor-based company said the current year had started well with a "continuing healthy trend of order input."

All told, profits totalled £181.3m – somewhat above analysts' expectations – against £152.5m in 1989. Turnover climbed 13 per cent to £1.37bn (£1.22bn). Due partly to the contribution of recent acquisitions, growth was especially rapid in continental Europe.

At 11 per cent, the improvement in earnings per share to 55p (49.4p) was less impressive, owing to a higher tax charge. The applicable rate rose from 35.5 per cent to 39.3 per cent, reflecting the high proportion of turnover derived from overseas. Siebe expected the tax rate to remain at about current levels for the foreseeable future.

A recommended final dividend of 10p makes a 15p (11.375p) total – up 31.9 per cent. Net indebtedness (excluding finance leases) as a percentage of shareholders' funds dipped to 32.7 per cent, compared with 38.2 per cent a year earlier.

Overseas sales accounted for more than 88 per cent of the group total during the latest period, following a decline to £160.8m in UK turnover.

According to Mr E Barrie Stephens, chief executive, the UK construction industry is "making do with what they have."

Some softening in demand for automotive and appliance controls in the US had also been experienced, the company said. It maintained that the appliance control market was "coming back", however, "because people are retrofitting old homes with new appliances."

With cost-cutting in mind, certain of Siebe's US operations are being transferred to Puerto Rico. The average hourly wage for the jobs concerned is expected to fall from $15 to $7-8 with fringe benefits, according to Mr Stephens.

In terms of product line, controls remained by far the company's largest division, with sales amounting to £781m.

Meanwhile, the group has taken its first steps into eastern Europe, setting up an operation in Gdansk, Poland, to "add value" to French and West German automotive products.

It is also "past the discussion stage" with an industrial controls initiative in East Germany.

● COMMENT

Yesterday's figures will do nothing to dent Siebe's developing reputation as a stock with sound defensive qualities. The group's relatively broad product range and geographic spread provided the anticipated insulation against softness in both the UK and the US. It generated a healthy mix of organic and acquisition-led growth, and, in the words of one analyst, nothing untoward crept out of the woodwork. On a prospective p/e of somewhat above 8, the shares appear among the most attractively rated in their sector. Unless economic growth accelerates significantly in the major industrialised economies, however, robust rather than spectacular progress is in prospect.

Bremner chairman set to appeal against interdict

By James Buxton, Scottish Correspondent

MR JAMES Rowland-Jones, chairman of Bremner, the company which formerly owned a Glasgow department store, said yesterday he was preparing an appeal against an interim interdict obtained against his board by a group of shareholders who want him and the rest of the board replaced.

The interdict, the Scottish equivalent of an injunction, prevents Bremner's board from appointing any new directors, or entering into, modifying or terminating the contracts of directors or former directors without prior approval from shareholders.

It also prevents the board increasing the salaries, remuneration or pension entitlements of the directors.

The interdict was issued last week by the Court of Session in Edinburgh ahead of an extraordinary general meeting requisitioned by shareholders representing more than 40 per cent of the company's equity. Their stated aim is to put an end to the infighting which has dogged the company for several years.

Bremner is now little more than a shell company, having about £5.5m in cash – the invested proceeds of the sale of the Glasgow store – as well as properties in the north of England plus Carswell, the Glasgow stockbroker.

The battles, frequently fought in the courts, have been between two factions, one led by Mr Rowland-Jones and the other by Mr Dennis McGuinness, who runs Carswell and was for a time chairman of Bremner.

Now small shareholders, acting through four Scottish stockbrokers led by Torrie & Co of Edinburgh, are proposing that four members of the Scottish financial community should replace the existing Bremner board.

They are Mr David Low of Torrie; Mr Colin McLean, formerly managing director of Templeton Global Investors in Edinburgh; and Mr Ronald McNeill and Mr Derek Douglas who are corporate advisers.

During the court hearing, Mr Rowland-Jones's legal representative said that his client had been awarded a new service contract the day before, though no such contract was available for inspection at the company's offices in Glasgow.

Shareholders were also concerned about what they claimed was a three day delay in announcing the appointment of Mr John White as a new director.

Yesterday Mr Low said that other shareholders were offering their support and that they were receiving approaches from companies interested in bidding for Bremner. He stressed that his group was independent of either of the factions.

Mr Rowland-Jones has until June 3 to call an extraordinary general meeting to consider the resolutions, failing which the shareholders' group can do so itself.

Dunhill at £60.6m and seeks acquisitions

By Jane Fuller

DUNHILL HOLDINGS, the luxury consumer products group which makes 91 per cent of its sales overseas, increased pre-tax profits by 33 per cent from £45.5m to £60.61m in the year to March 31.

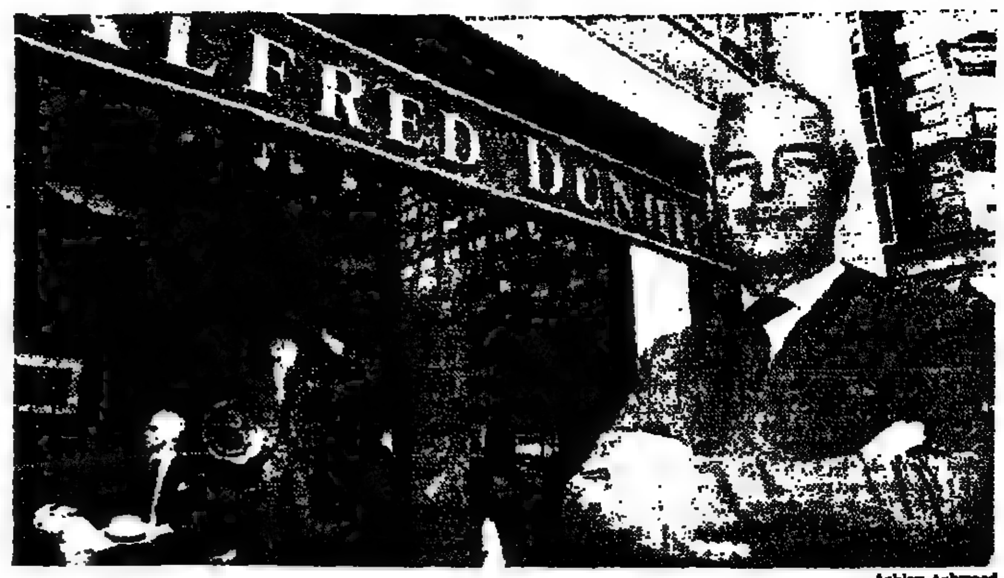
The profit, on turnover 24 per cent up at £240.19m (£194.41m), was helped by interest income of £12.1m (£8.1m) as the group accumulated £23m more cash, giving a year-end total of £117.7m.

Mr Slor Pendle, managing director, said the group, in which Rothmans has a 55 per cent stake, would like to make a significant acquisition. But because the luxury branded products business had become fashionable, "the prices quoted, and in some instances paid, are ridiculously high."

In the Alfred Dunhill business, which increased its sales at retail value from £390m to £450m, strong growth came from watches, menswear, leather goods and fragrances.

Montblanc pens also continued to write performance records as sales grew from £160m to £220m. The chunky black Masterpiece range was joined by the gold and silver Solitaire pens which enabled distribution to move into jewellery outlets, Mr Pendle said.

A flatter performance from Chloé, the French clothing and perfume business, reflected more difficult conditions in the European fashion market.



Ashley Ashwood

Slor Pendle: prices quoted for prospective acquisitions were 'ridiculously high'

Geographically, the most important area is Asia and the Pacific rim, which last year accounted for 47 per cent of turnover. The UK produced 9 per cent, the rest of Europe 22 per cent and America 20 per cent.

Earnings per share advanced to 22.5p (16.9p). A final dividend of 3.5p makes a total of 5.5p (3.75p).

● COMMENT

Dunhill, a past master at managing international brands, continues to capitalise on increasing prosperity wherever it crops up in the world. One analyst said that every 1 per cent of world growth added another 10 per cent to Dunhill's target market as people were tipped over the wealth threshold. When this growth happens, Dunhill has the nice problem of having to protect the brands' up-market image by not selling too many of anything. Casting round for areas of concern, the resilience of Japanese shoppers is mentioned, as they might be affected by the stock market fall or yen depreciation. Dunhill retorts that the annual sales increase from this source has been running at 30 per cent. This year's pre-tax profit is expected to be at least £75m, giving a prospective multiple of just over 14, good value bearing in mind the continuing long-term growth prospects. It excludes any speculative premium that might be kicked up if there were any movement on the Rothmans' stake (that group is in turn controlled by Richemont of Switzerland).

UK COMPANY NEWS

Pointed cautionary note on outlook knocks 7p off share price

Warburg surges 68% to £187m

By David Lascelles, Banking Editor

SG WARBURG Group, one of the City's largest independent investment banks, yesterday *reported record pre-tax profits* of £187.5m. But Sir David Scholey, chairman, accompanied the announcement with a cautionary note about prospects.

"Given the present business environment," he said, "we do not count on an increased or even a maintained result compared with the excellent year under review."

Warburg's 68 per cent gain in profits from £111.5m came after transfers to inner reserves and was equivalent to 57.3p per share, up from 33.8p.

The result was in line with expectations and clearly reflected the effects of last year's strong stock market and takeover activity.

Investment banking raised *its contribution from £82.3m to* £145.5m and £59.1m (£42.1m) came from the group's 75 per cent interest in Mercury Asset Management, its fund management arm.

Warburg gave no further breakdown. But Sir David said all parts of the group made a contribution, though it was stronger from some than others. Good performers included corporate finance which benefited from the takeover boom, asset management, treasury and equities.

Weaker performers were fixed interest securities, and the overseas advisory business. More than half the group's business now had some significant international involvement, he said.

Although Warburg has been involved in highly leveraged transactions, Sir David said the business "was not unduly weighted towards such activity." Warburg had exposure to about six deals, and although provisions had been made in some cases, the totals were small.

The group's *disclosed* capital increased from £805.6m to £875.2m, representing a pre-tax return of 28 per cent.

The recommended final dividend of 10.5p, gives a total of 15p (12.5p), up 20 per cent. The cover is 3.8 times, in line with Warburg's policy of trying to give shareholders a return which is more consistent than than group's overall result which tends to fluctuate with *the volatility of the financial* markets. Over the last four years, cover has averaged 3.4 times.

On the outlook, Sir David said that lower trading volumes in the securities markets and reduced corporate acquisition activity created a need for caution. "We are fully aware of the need to temper the pursuit of our long-term aims with particular care and prudence during periods of lesser activity and greater uncertainty."

Although his comments did not surprise the market, their pointedness unsettled dealers and the shares fell 7p to 429p.

See Lex

All-round improvement lifts MAM 40%

By Nikki Tait

MERCURY Asset Management, the 75 per cent-owned fund *management subsidiary of SG* Warburg, yesterday unveiled a 40 per cent increase, from £42.1m to £59.1m, in profits for the year to end-March.

After a small increase in the tax charge to 32 per cent, fully-diluted earnings per share rose by 37 per cent to 54.3p (39.7p).

The figures, however, suggested a slight slowdown in growth in the second half of 1989-90; at the end of the first half pre-tax profits were 47 per cent ahead.

And, in spite of the recent upturn in stock market conditions, MAM *sounded a slightly* cautious note about the current trading period, saying that "it is too soon to make any forecast about the outlook for profits in the current year."

"Much will depend on the level of stock markets throughout the period," it commented, stressing that – whatever the short-term prospects – expansion of the business both in the UK and overseas would continue. MAM added that investment in new computer systems, which should be completed by the end of the current year, would produce significant cost-savings in the following year.

The shares rose by 10p yesterday to 650p.

Last year, turnover increased by 32 per cent to £132.5m, while operating costs saw a more modest 24 per cent rise to £84.6m. Funds under management by the year-end were £32.3bn, 17 per cent higher than at the same stage a year earlier.

The company said that the mix of funds managed changed very little during the year, with the growth coming roughly equally in all areas. *On the UK institutional side,* MAM said that it gained over 30 new clients, and that the value of UK pension fund money under management now topped £23bn. In terms of international business, funds managed have risen to over £5bn, of which fixed-interest portfolios account for almost half. The private investor division currently handles more than £3bn.

The final dividend is a recommended 17.5p, making 22.5p (15p) for the year.

Barclays expands in US private banking

By David Barchard and Janet Bush in New York

BARCLAYS is to buy the international private banking business of Marine Midland, the US subsidiary of Hongkong & Shanghai Banking Corporation.

The purchase of Marine's mainly Miami-based private banking activity is the latest in a series of similar acquisitions by Barclays which has also bought the private banking business of Wells Fargo, First Chicago and First Palm Beach in the last five years.

No price has been disclosed, but the acquisition is to be completed by the end of August. The Midland Marine purchase was believed to be significantly larger than the previous three.

Mr John Kerslake, chief executive of Barclays North America, said yesterday that the deal underscored Barclays' committment to provide a broad range of personal banking services to meet the needs *of wealthy individuals.*

Mr Peter Fowler, vice-president of private banking in Barclays' Miami office, said that it was one of the larger deals done in the international private banking market in the last few years.

The purchase is the latest move towards consolidation in the extremely competitive US private banking market. There are around 100 banks operating out of Miami alone, including National Westminster and Lloyds Bank International.

Mr Geoffrey Thompson, President of Marine Midland, said *the decision to sell the business* was consistent with the bank's regional banking strategy. He added: "That strategy centres around domestic consumer and commercial banking activities provided through 317 branches in New York state as well as selected national businesses."

Earlier this month, Midland Marine received cash injections totalling $300m from Hongkong & Shanghai. In common with other US banks, Marine Midland has been hit by bad debts on its commercial real estate lending portfolio.

The deal contrasts with Barclays' decision last November to sell the consumer and automobile credit business of Barclays American to Primerica for a price believed to be about $150m.

Labour hits out over LUI affair

By Patrick Cockburn

THE LABOUR Party has attacked the lack of Government action on the future of London United Investments, the troubled insurance group, and its policyholders.

Ms Marjorie Mowlam, Labour spokesperson on the City, in a letter to Mr John Redwood, Minister of State at the Department of Trade and Industry, says that policyholders and shareholders still lack basic information.

In particular, Ms Mowlam says, "I have asked the Minister *to state clearly* whether they will be safeguarded under the Policyholders's Protection Act of 1975."

A principal subsidiary of LUI is the underwriting agency *HS Weavers*, previously the largest writer of US liability business in the London market, which insured professional partnerships of lawyers, doctors and accountants in the US.

Major brokers, seeking to arrange an orderly run off of LUI business, have suggested that individual members of these partnerships would be protected under the terms of the 1975 Act.

Marjorie Mowlam: affair damaging reputation of UK insurance industry abroad

This has been disputed by some of the composite insurance companies who have shown little enthusiasm to safeguard LUI or its policyholders.

In her letter yesterday Ms Mowlam says that it is now clear that there will be no market rescue of LUI and indecision about what to do at the DTI is damaging to shareholders.

Innovare sues broker over float failure

By Vanessa Houlder

Innovare Displays, a start-up company that this week intended to join the Unlisted Securities Market, is suing its broker over the failure of its flotation.

It said Corporate Broking Services (CBS) had failed to complete the £1.5m placing of shares in the company, which specialises in computer controlled advertising displays. Innovare has said it will sue CBS for £1.5m for breaching its placing agreement. CBS was unavailable for comment yesterday.

Innovare said that CBS had already been granted a 28 day extension a month ago to complete the placing. However, the company had been unaware of the problems the broker had encountered in securing a sufficient number of placees.

Molins narrowly escapes clutches of Leucadia

By Andrew Hill

MOLINS, the manufacturer of cigarette machinery, narrowly escaped takeover yesterday, for the third time in the last three years.

But Leucadia National Corporation, the hostile US bidder, *still hopes* to take control by installing representatives on the Molins board, raising the spectre of a US-style proxy battle for the UK company.

"I believe we will still get control – I hope sooner, rather than later, and I hope in a friendly fashion," said Hambros Bank, which has been advising the elusive US manufacturing and financial services company.

The £83m bid lapsed after Leucadia gained acceptances representing only 0.38 per cent of Molins' equity.

However, the predator already owned 45.14 per cent of the UK company, which it will now use in its attempt to give Molins "a new direction".

Mr Michael Wright, Molins' managing director, said the group would not be intimidated by the Leucadia stake: "It really wouldn't be sensible of them to make life too *difficult for us*, because as a major shareholder they should be interested in the company doing well," he added.

He said a decision on whether the two sides should now meet would depend on what was to be discussed: "If the only item on the agenda is the dismissal of our non-executives [one of Leucadia's proposals], then it's going to be a waste of breath."

Molins shares slipped 5p from the increased offer price of 275p yesterday, although the outcome of the bid was not known officially until after the market closed.

Leucadia launched its offer in March from the platform of a 33 per cent stake bought from IEP Securities, Sir Ron *Brierley's* investment vehicle. IEP failed in its attempted takeover of Molins last September, two years after another Brierley vehicle, Tozer Kemsley and Millbourn, also fell *short of victory. Molinshas* been advised by Lazard Brothers in all three cases.

Maxwell may renew bid for Harcourt as chairman departs

By Raymond Snoddy

MR ROBERT Maxwell, the larger-than-life publisher, was *yesterday* celebrating the departure of an old adversary, Mr William Jovanovich, from the chairmanship of Harcourt Brace Jovanovich, the troubled US publisher.

Mr Jovanovich, who is 70, presided over the rise and more recent fall of the company. He has been succeeded as chairman by Mr John Herrington, a former US energy secretary.

The two came into bitter conflict in 1987 when Mr Maxwell, chairman of Maxwell Communication Corporation, tried to take over the US educational publishers.

Mr Jovanovich said then: "Mr Maxwell has money, but not enough. He has ambition, but not enough. He ought to be sent packing to Liechtenstein *(where Mr Maxwell's family* trusts are based)."

The British publisher went on to take over Macmillans of the US.

Close Maxwell watchers believe he is seriously considering another run at Harcourt Brace. One US analyst suggested that Harcourt Brace could be in serious trouble by 1993 when its interest load increases because of payments on preferred stock and junk bonds.

● Mr Maxwell's latest publishing venture – The European *continues to do much better* than both the market and the publisher expected. Latest estimates suggest the weekly sold about 500,000 copies of its third issue – including 350,000 in the UK.

Robert Maxwell: celebrating departure of old adversary

Headland warns of first half loss

By Andrew Bolger

HEADLAND GROUP, the USM-quoted computing services company, yesterday laid off a quarter of its staff and said it expected to make a significant loss in the first half of the financial year.

A financial adviser to the company said 90 people had lost their jobs. The warning was issued after the market closed. Headland shares, which have been as high as 49p this year, had been unchanged on the day at 23p.

Headland said a recent deterioration in trading conditions in the UK computer software industry had made an adverse impact on the group's revenues.

Although the development of the Miracle corporate financial software for Digital Equipment Corporation computers was now well advanced, the development costs had made a significant impact on the trading results of the group.

Together these factors had placed a strain on the group's cash resources and the board said it was reviewing the group's operations. It yesterday set in motion the integration of the group's core businesses – Mega, *Multisoft and Compsoft* – under the Multisoft trading name and the concentration of these operations in Multisoft's premises at Alton, Hampshire. This was expected to reduce substantially the group's cost base.

On Tuesday the computer services sector was shaken by a profits warning from Logica, one of the largest independent software companies in the UK.

Headland also announced the following board changes: Mr Geoff Bristow, formerly non-executive chairman, becomes executive chairman and chief executive; Mr Nic Birtles, formerly chief executive, becomes sales director; Mr Tony Nicholls, the founder of Multisoft, becomes group chief operating officer; and Mr Mike Musk, company secretary of Headland and finance director of Multisoft, replaces Mr Dick Shand as group finance director.

Headland said publication of its final results for the year to December 31 would be delayed. In the six months to June 30 it made pre-tax profits of £351,000 on sales of £5.38m.

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COMPANY NOTICES

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Exchange Offer is made solely by the Prospectus dated May 29, 1990 of National Environmental Group Inc. and the related Letter of Transmittal for the Bonds which will be mailed to holders of the Bonds upon their request, and is not being made to, and tenders will not be accepted from, holders of the Bonds in any jurisdiction where the making or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

Notice of Exchange Offer
by
NATIONAL ENVIRONMENTAL GROUP INC.
(FORMERLY KNOWN AS "THE YANKEE COMPANIES, INC.", THE "COMPANY")
of
14% Cumulative Convertible Preferred Stock, par value $.10 per share, and Common Stock, par value $.10 per share, of the Company
for
7½% Convertible Subordinated Bonds due 1998 of YFC International Finance N.V.

National Environmental Group Inc., a Maryland corporation (the "Company"), invites the holders of an aggregate of $2,908,000 principal amount of 7½% Convertible Subordinated Bonds due 1998 (the "Bonds") of YFC International Finance N.V., a wholly-owned subsidiary of the Company, to tender their Bonds for 30 shares of 14% Cumulative Preferred Stock, par value $.10 per share (the "Preferred Stock"), and 42 shares of Common Stock, par value $.10 per share (the "Common Stock"; shares of Preferred Stock and Common Stock are sometimes collectively referred to herein as the "Shares"), for each $1,000 principal amount of Bonds (including accrued and unpaid interest from May 15, 1989) upon the terms and subject to the conditions set forth in the Prospectus dated May 29, 1990 (the "Prospectus") and the related Letter of Transmittal (which together constitute the "Offer").
Simultaneously with the Exchange Offer, the Company is making similar offers to holders of other debt and equity securities and claims against the Company and its subsidiaries to exchange securities and claims for Shares. The Exchange Offer is independent and is not conditioned upon a minimum tender of either the other classes of securities or the Bonds.

THE EXCHANGE OFFERS WILL EXPIRE AT 5.00 P.M., NEW YORK CITY TIME ON THURSDAY, JUNE 28, 1990 UNLESS EXTENDED FROM TIME TO TIME TO NOT LATER THAN DECEMBER 31, 1990. SECURITIES MAY BE WITHDRAWN AT ANY TIME PRIOR TO JUNE 28, 1990, AND UNLESS ACCEPTED FOR PAYMENT BY THE COMPANY, AT ANY TIME AFTER JULY 27, 1990. THE COMPANY HAS RESERVED THE RIGHT, IN ITS SOLE DISCRETION, TO EXTEND THE EXPIRATION DATE UPON GIVING NOTICE TO THE HOLDERS OF THE BONDS.

If the Exchange Offer and the other offers are not successfully consummated, the Company might have to seek protection under the bankruptcy laws, in which event holders of the Bonds should not expect to receive any significant payment on their Bonds in the ensuing liquidation of the Company and its subsidiaries. If the Company is required to seek protection of the bankruptcy courts, persons who do not accept the Exchange Offer will have greater rights than those who do accept.
The Company is obligated to accept any Bonds that are properly tendered. All Bonds must be tendered by transmitting the Bonds and coupons relating to any remaining interest payments, together with a completed Letter of Transmittal, to the Information Agent listed below by June 28, 1990 in order to be accepted for exchange by the Company.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY BELIEVES THAT THE EXCHANGE OFFER IS IN THE BEST INTERESTS OF THE VARIOUS CREDITOR AND EQUITY INTERESTS OF THE COMPANY AN ITS SUBSIDIARIES AND RECOMMENDS THAT IT BE ACCEPTED BY THE BONDHOLDERS. HOWEVER, EACH BONDHOLDER MUST MAKE HIS OWN DECISION WHETHER TO TENDER BONDS AND, IF SO, HOW MANY TO TENDER. THE PROSPECTUS, WHICH IS HEREBY INCORPORATED BY REFERENCE, AND LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY AND ITS REORGANIZATION WHICH SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE EXCHANGE OFFER. EACH BONDHOLDER IS URGED TO CONSULT HIS STOCKBROKER, BANK MANAGER, ATTORNEY, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

The Prospectus and Letter of Transmittal may be obtained from, and questions and requests for assistance may be directed to, the Information Agent and the Company at their respective addresses and telephone numbers set forth below.

Company:	Information agent:
700 Ashland Avenue	Shareholder Communications Corporation
Folcroft, Pennsylvania 19032	40 Exchange Place
(215) 237-0700	New York, New York 10005
or	(800) 221-3724 or (212) 809-3600
(301) 247 4822	Fax: (212) 809-2556
	Attn: John Collins or Bob Carlson

May 31, 1990

UK COMPANY NEWS

Speyhawk blames interest rates for dive to £6.1m

By Andrew Hill

INTERIM PROFITS at Speyhawk dropped 40 per cent, but the property developer managed almost to double turnover in a depressed market.

Speyhawk – which saw its share price halve in less than a year before the recent stock market rally – suffered from slower sales and reduced prices as a result of higher interest rates. Profits fell from £10.14m to £6.12m before tax in the six months to the end of March.

Mr Trevor Osborne, chairman, stressed that in spite of an increase in core borrowings – from £56m to £86m – the group had still drawn down less than half of the £120m revolving credit facility which it set up in January.

Turnover rose from £45.57m to £83.27m, or from £73.1m to £130m including joint ventures. Earnings per share slipped from 24p to 15p, but the interim dividend is unchanged at 3.5p.

Mr Osborne said high interest rates had been the principal factor restraining activity in the property market, although he said the effect on buyers had been exaggerated, particularly in prime locations.

"The most important thing about our results is the healthy amount of turnover, when everybody else thinks buyers are on strike," he said. Speyhawk had reduced prices, Mr Osborne added, but had not yet been forced to sell properties at below book value.

"We have had to put up with rumours about Speyhawk which have really been rumours about the market transposed onto the company," he lamented.


Trevor Osborne: hopes to cut gearing to 25 per cent by year-end

Mr Osborne also defended the practice of using limited recourse and non-recourse finance for projects – so-called off-balance sheet financing – pointing out that it reduced the risk for the group.

Speyhawk shares rose 7p to 178p yesterday on evidence that it had managed a respectable increase in turnover.

As one property analyst put it yesterday: "If you get the stuff sold, get the money back in the bank, and reduce the debt, everybody breathes a sigh of relief."

Taking into account elements of its limited recourse funding, Speyhawk calculated gearing at the end of March at about 51 per cent, and Mr Osborne said the group hoped to bring that down to 25 per cent by the year-end through further property sales.

On the other hand, non-recourse borrowings stand at some £200m and will rise in the second half as new finance is drawn down for current developments.

See Lex

Acquisition helps Eurocopy more than double to £5.49m

By Jane Fuller

EUROCOPY, a supplier of photocopying and facsimile equipment, more than doubled pre-tax profit to £5.49m for the six months to March 31.

The taxable figure, which showed a £3.16m increase on the previous year's £2.33m, came on turnover trebled to £34.02m.

The results included a £2.3m contribution from Equipu, which was acquired just over a year ago from Sketchley.

Mr Cyril Gay, group chairman, said Equipu's performance had been improved by disposing of peripheral activities, including unprofitable parts of the office furniture side.

The group, which makes all its sales in the UK and is strong in London and northern England, had not experienced any slackening of demand.

The mainstay of profit was metered income from the copies printed on the machines it supplied.

At rates of between £10 and £15 per 1,000, turnover had increased from £3.37m to £10.05m and the profit margin was about 40 per cent, he said.

"We may discount the machinery, but never the copies, so we have protected growth over the five-year life of the machine."

With £13m in the bank, Mr Gay said Eurocopy was looking to buy other companies. Interest received increased from £268,000 to £586,000.

Earnings per share, diluted by a rights issue associated with the Equipu buy, rose by 86 per cent to 7.39p (3.98p). The average number in issue increased from 39.5m to 48.2m.

The interim dividend is lifted to 1.1p (0.9p).

The group's share price gained 9p to close at 228p yesterday. This compares with last February's issue price of 100p.

Mr Gay's statement included a reiteration of the group's leasing policy in the wake of publicity surrounding the failure of the Atlantic Computer leasing subsidiary of British & Commonwealth Holdings.

He said: "Most customers prefer to lease photocopiers rather than purchase them outright.

"By placing leases with third party leasing companies, we enjoy the benefit of payment in full for the equipment immediately it is installed and avoid any liability in the event of customers subsequently being unable to meet their obligations."

H Young down to £0.25m but sees upturn

Profits fell further to £251,000 at H Young Holdings in the six months to March 31. That compared with £1.61m in the six months to January 31 1989 and £1.77m for the fourteen months to September 30, against £2.98m.

Mr John Wilson, executive chairman, said the quarter to December 1989 had experienced depressed trading, but since the turn of the year all areas had improved both sales and profitability. In view of this the interim dividend is maintained at 2p and the board expects to pay a same-again 4p for the year.

The disposal of Readygas in the first half was shown as an extraordinary item of £5.38m. Earnings per share came through at 1.1p (7p).

Pacific Horizon assets improve

Net assets per 10p share of Pacific Horizon Investment Trust stood at 46p at January 31. At April 30 the figure was 45.7p. Net revenue for the half-year ended January 31 totalled £125,370 after tax of £54,058. Earnings per share amounted to 0.44p.

US venture for Laura Ashley chief

By Anthony Moreton, Welsh Correspondent

SIR BERNARD Ashley, chairman of Welsh textile group Laura Ashley, is seeking to build a chain of country-house-style hotels in the US.

Early in July he opens his first venture in the US, the Inn at Perry Cabin, a 19-bedroom property at St Michael's some two hours out of Washington DC on Maryland's Chesapeake Bay.

The hotels will be operated by Sir Bernard privately through Ashley Inns, and will be quite separate from Laura Ashley itself.

In the US, Sir Bernard is looking to capitalise on the Laura Ashley name and convert historic or colonial-style houses into inns.

Llangoed Hall, the group's first British hotel, into which Sir Bernard has put £3m, is due to open on June 9. The 23-bedroom hotel stands on the banks of the River Wye, between Builth Wells and Brecon in south Wales.

It was the first important commission won in 1912 by Sir Clough Williams Ellis, the eminent architect who was responsible for the creation of Portmeirion in north Wales.

PUBLIC WORKS LOAN BOARD RATES

Effective 29th May 1990

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			14¾			15
Over 1 up to 2	14⅛	14	13½	15⅛	15	14¼
Over 2 up to 3	13⅝	13⅝	13	14⅝	14⅝	13¾
Over 3 up to 4	13¼	13¼	12¾	14¼	14¼	13½
Over 4 up to 5	13⅛	13	12⅝	14⅛	14	13⅜
Over 5 up to 6	12⅞	12¾	12½	13⅞	13⅛	13
Over 6 up to 7	12¾	12⅝	12½	13¾	13⅛	13
Over 7 up to 8	12⅝	12⅝	12½	13¼	13⅛	13
Over 8 up to 9	12⅝	12½	12⅜	13⅛	13	12⅞
Over 9 up to 10	12½	12½	12⅜	13	13	12⅞
Over 10 up to 15	12½	12⅜	11⅞	13	12⅞	12⅜
Over 15 up to 25	12	11⅝	11⅜	12½	12⅛	11⅞
Over 25	11⅛	11⅜	11⅜	12	11⅞	11⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

NEWS IN BRIEF

GLYNWED INTERNATIONAL, in a joint venture with its Monaco-based subsidiary Innovation Generale and Gaz de France, is to form a company to be known as Polyethylene Industries. The venture will be responsible for the worldwide marketing of electrical fusion products and associated technology.

LINCOLN HOUSE, through its wholly-owned subsidiary Lincoln House (1988), has acquired Impala Displays for £300,000 cash.

NEWS INTERNATIONAL has acquired Broadsystem, a telephone publishing company which specialises in providing telephone-based sports services, competitions and sales promotions.

POLYCHEM has acquired Rusco Pharmaceuticals, a Booker group company, for an undisclosed consideration.

SPECIALEYES has sold its 49 per cent interest in Specialeyes Nederland, its Dutch joint venture, to its partner, Koninklijke Bijenkorf Beheer for Fl 1m (£312,000).

WYNDHAM is to sell a number of properties to Clarke Nickolls & Coombe for £5.72m. After costs the sale will net some £1.4m, which will be used to fund future investments.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100), registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988 4th qtr.	118.5	117.2	[illegible]	121.8	155.4	2,101	241.4
1989 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1990 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts
1988 4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1990 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988 4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1990 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL- Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION- Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters*	Sterling
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

NOTICE OF REDEMPTION

To the Holders of

Ente Nazionale Per l'Energia Electtrica

(E.N.E.L.)
(the "Company")
U.S. $100,000,000
9¾% Debentures due 1995
Guaranteed by the Republic of Italy

NOTICE IS HEREBY GIVEN, that, as permitted by Condition 5(c) of the Fiscal Agency Agreement dated June 23, 1980 of the Debentures, the following Debentures in the aggregate principal amount of U.S. $5,520,000 have been drawn for redemption on July 1, 1990 (the "Redemption Date") at the redemption price (the "Redemption Price") of 100% of the principal amount thereof:

SERIAL NUMBERS OF THE DEBENTURES CALLED FOR REDEMPTION

[illegible]

Payment of the Redemption Price will be made on or after July 1, 1990 upon presentation and surrender of the Debentures called for redemption, together with all coupons appertaining thereto maturing after July 1, 1990 at the Corporate Trust Office of the Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, NY 10005 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo, Ltd. in London; The Bank of Tokyo, Ltd. in Brussels; The Bank of Tokyo, Ltd. in Hong Kong; The Bank of Tokyo, Ltd. in Singapore.
From and after the Redemption Date, interest on the Debentures to be redeemed will cease to accrue and all coupons maturing after July 1, 1990 shall become void. The coupon for the interest payable on July 1, 1990 should be detached and presented in the usual manner at the specified office of any Paying Agent. After the Redemption Date, the aggregate principal amount of U.S. $43,000,000.00 will remain outstanding.

Ente Nazionale Per l'Energia Electtrica
By: The Bank of Tokyo Trust Company
as Fiscal Agent

Dated: May 31, 1990

COMPANY NOTICES

UK COMPANY NEWS

Consumer spending squeeze and interest costs hit Plysu

By Vanessa Houlder

PLYSU, the maker of plastic containers and housewares, yesterday announced a 19 per cent decline, from £6.82m to £5.51m, in pre-tax profits for the year to March 31.

Turnover rose from £54.49m to £58.58m.

The squeeze on consumer spending depressed sales of non-industrial containers and housewares, although these were boosted by the introduction of a new range of bins and storage devices. The results were also hit by a rise in interest charges from £854,000 to £1.5m.

However, the company said that it had a pronounced recovery during the last few months of the financial year and expected to see a significant improvement in performance in the months to come. "The immediate future looks a good deal better than it has for sometime," it said.

Turnover in the UK fell from £51.81m to £49.84m, but in the Netherlands it increased from £4.65m to £8.77m – a figure that included 15 months trading to bring it in line with the group year end.

Mr Charles Summerlin, chairman, said that the outlook for the continental European operation was most encouraging.

Capital expenditure was reduced to £4.48m, compared with a total of £25m spent over the past two years.

Earnings per share fell from 11.5p to 8.6p. The proposed final dividend is increased from 2.05p to 2.5p, making a total for the year of 3.5p, an advance of 23 per cent.

● COMMENT

A 13 per cent rise in share price might seem an unlikely response to these dismal results, which were not far out of line with expectations. But the optimism of the accompanying statement justified clawing back some of the 27 per cent of value which the shares had shed over the past year. The industrial container business is still holding up well, while sales of its plastic milk bottles are moving well ahead, notwithstanding the impact of the environmental movement. Plysu's investment in new production facilities over the past few years should pay off and the borrowings built up in the process will continue to be brought down by its strong cash flow. Nonetheless, last year's problems have taken their toll on the company's longstanding growth pattern, which lessens its claim to a premium rating. If the company manages to return to its 1989 level of profit this year, the shares at 120p are on a fully valued p/e of 11.5.

Caspen cuts losses to £746,000

Caspen Oil, the oil and gas exploration company which is quoted on the Third Market, reported a pre-tax loss of £746,000 for the six months to end-January.

That compared with losses of £1.46m for the first half last time and £2.28m at the year-end.

Turnover rose to £3.98m (£2.48m) but operating costs surged to £2.55m (£661,000). However, net interest payable fell to £276,000 (£432,000). The loss per share was 1.9p (5.6p).

To bid, or not to bid . . .

Steven Butler reports on the Elf Aquitaine/Enterprise Oil situation

A DEBATE that could affect the fate of Britain's biggest independent oil company, Enterprise Oil, was yesterday played out in front of Schroders fund managers.

Mr Jeremy Elden of UBS Phillips & Drew put forth his argument that Enterprise Oil shares were set for a what he called a "massive derating" in the years ahead. The law of averages, he argued, would eventually catch up with the company, growth would slow, and investors would increasingly rate the shares on the basis of earnings growth, not asset values.

Mr Roger Aylard, of SG Warburg Securities, on the other hand, argued that Enterprise need only equal or better the oil industry's 10-year average exploration performance to produce an average 20 per cent growth in both earnings and dividends. On this basis, the shares were a good investment.

The disagreement over the value of Enterprise as an investment by two respected oil analysts is indicative of the difficult transition phase that Enterprise has entered, and it is unclear how it will exit.

Enterprise is no longer a small, independent oil producer and explorer struggling to establish itself, and offering the potential of extremely high growth on the basis of a single big oil strike. And it could be particularly vulnerable in the months ahead, as ICI seeks to unwind its 25 per cent stake in the company, while Elf Aquitaine considers whether to launch a bid, or get out itself.

"It's a judgment call," says Mr John Walmsley, Enterprise finance director, of Mr Elden's views. "What he is saying, which has some merit, is that for Enterprise Oil life is going to get more difficult."

Mr Walmsley agrees that the extremely high rate of growth that Enterprise has achieved – it was the second best performing stock since 1986 – cannot be matched in the years ahead. Even a big oil find would not have anything near the impact of earlier finds, since Enterprise is worth nearly £3bn in terms of market capitalisation. On the other hand, he says, the past record also always looked like an impossibility.

"The stats say you are going to be dead in 30 years anyway. So why bother to do anything? That's what Mr Elden is saying," he says. Stock markets are unaccustomed to dealing with a pure oil exploration and production company of this size (which is basically why Mr Elden expects a rerating of the shares), and to maintain support Enterprise will have to convince investors that it can maintain a good rate of growth by continuing to find oil at below industry average costs.

While Mr Elden says there is no reason to expect this, Mr Walmsley says Enterprise is certainly not going to give up trying.

Enterprise's success came, first of all, from clever dealing in oil assets on the UK continental shelf, following the company's privatisation in 1984 with a portfolio of declining production assets assembled from the oil producing properties of British Gas prior to its privatisation.

This was followed by a company-making oil discovery in the North Sea, the Nelson Field, in early 1988. Enterprise has added oil to its reserves at the cost of just 80p a barrel, according to SG Warburg, compared to a 10-year industry average outside the US of £1.30 a barrel.

Yet the question hanging over the company is whether it can make the transition to a much larger company and still deliver the same sort of performance. From a starting position of less than 50 employees at the time of privatisation, it is now staffing up to over 600, spread across the globe from London to Jakarta, attempting to build a significant presence is select countries.

Mr Walmsley, with an admiring eye on many personnel practices at Shell, the giant oil group, says Enterprise has embarked on its own technical and management training programmes aimed at promoting loyalty and competence, while still keeping in place strong incentives – some negative some positive – on employees to perform.

Exploration decisions tend still be be taken centrally, although gradually responsibility will be devolved to the field as the company becomes more accustomed to dealing with its new size.

Commenting on BP's recent shake-up aimed at trimming bureaucracy in its oil exploration unit, he says: "It would be unforgiveable if we passed BP going in the other direction."

Yet also overhanging the company is the uncomfortable situation in its share register. The market was stirred this week by apparent leaks from merchant banks over activities to unwind the current stalemate, with ICI and Elf each holding a quarter of Enterprise's equity. Enterprise cannot be an attractive long-term investment for ICI, whose business is producing chemicals, while for Elf, a passive equity investment is inconsistent with its goal of building up oil reserves. The purpose of the leaks, which seemed to suggest little other than the fact that the current situation is unstable, remains obscure.

Mr Elden and Mr Aylard appear in agreement on one point, that ICI could use a number of attractive ways to unload the shares, which have risen in recent days to close at 629p yesterday. ICI could, for example, offer the shares at a modest discount to the market price to its own shareholders, and this would not necessarily devastate the market for Enterprise shares.

A direct ICI sale to Elf, many believe, is unlikely because it would be politically unattractive and may raise questions about ICI's trustworthiness as a partner. The Enterprise share price appears buffeted by fears that an ICI disposal combined with an Elf sell-off may depress the stock and hopes that an Elf bid will boost it.

Elf may feel less constrained to act, once the disposition of the ICI stake is settled, than many observers believe. Although a takeover would raise the very embarrassing question of a privatised British company being renationalised by France, there appears little ground for the British Government to object on competitive or other commercial criteria.

Elf's new chairman, Mr Loïk Le Floch Prigent, looks set on expanding the group and with the Paris stock market surging in recent months, a high price may not be an impediment. Should sterling, political, or oil price fears hit Enterprise shares, an opportunity could well arise for Elf.

All of this adds up to a rather important, and potentially vulnerable, period for Enterprise. In the end, its only protection may be to convince investors that the magic that lay behind its past performance has not gone away.

On the other hand, in spite of Elf's statement that any decision would depend on the price relative to asset valuation, investor support for Enterprise may be no match for the greater glories of La France.

National Employers liquidation move

By Patrick Cockburn

NATIONAL Employers' Mutual General Insurance Association, until recently one of the largest writers of employers' liability insurance in the UK, yesterday applied to the courts for the appointment of a provisional liquidator.

The move came after creditors rejected a scheme of arrangement proposed by the present management under which there would have been an orderly disposal of assets.

The company was badly hit by the escalating cost of workmen's compensation business in Australia written in the late 1970s and early 1980s.

Its operations are now overseas after the sale last December of its UK and Irish business to Assurances Generales de France.

At a meeting last Friday the company sought to persuade creditors to allow time for an orderly sale of assets – primarily subsidiary and associate companies in South Africa, Trinidad, Jamaica and Malaysia.

It said its total liabilities were slightly over £100m and assets were about the same.

National Employers' Mutual also told creditors that it needed to re-establish its reinsurance protection under a so-called time-and-distance policy with Pinnacle, the Bermuda-based reinsurer owned by CE Heath, the UK broker.

In the event, key creditors, such as the Royal Bank of Scotland, refused to delay the appointment of a provisional liquidator – although no winding up order has yet been signed.

The company said yesterday that the provisional liquidators could still promote a scheme of arrangement.

COMMODITIES AND AGRICULTURE

Collective concern on the farms of East Germany

The pace of economic reform has done little for the farmers' sense of security, writes Leslie Colitt

POLITICAL REFORM has done nothing for East German farmers' sense of security. "Our long-term future seemed absolutely certain until last year. Now we don't know what will happen to us next month," Mr Jürgen Ebel, the Chairman of Schwante collective farm declares grimly.

Schwante grows vegetables, fruit and grain on 2,400 hectares of loamy Brandenburg soil just north of Berlin. Along with the adjacent cattle-breeding collective farm it was able until recently to sell every last tomato and young pig it produced. Highly subsidised state purchase prices – at up to two and a half times the EC level – assured an enormous output irrespective of cost. For example, the state paid Schwante 14 East German Marks for a kilogram of tomatoes which consumers bought for M6.

Mr Ebel, who earlier this year was re-elected chairman of his Agricultural Co-operative, the euphemism for collective farms in East Germany, realises he is fighting against heavy odds to survive under the impending market economy. Dr Peter Pollack, the Agriculture Minister, forecasts a 50 per cent drop in the number of farm workers from the present 800,000. Furthermore, 20 per cent of collectives have only a slim chance of survival, while 50 per cent can make their way only with government support for structural changes. Mr Pollack predicts that the remainder will not have undue problems under competitive conditions.

The Government, in co-ordination with Bonn, which will have to provide much of the money after July 1, has promised to help East German agriculture in the three-year transition period until EC regulations apply.

Mr Ebel is less optimistic about the collective's survival rate but says that if Schwante, with the Berlin market at its doorstep, cannot make it, then few others will. As a former

THE CHALLENGE OF UNITY

Communist Party member he served as the Chairman of the Schwante collective for 11 years, dutifully carrying out detailed instructions from the Agricultural Ministry and the local authorities – "I spoke for the old system" – and producing what was wanted.

"We were obliged by the state to feed the population: so much had to be produced and so much was paid. Now I can't say whether three-quarters of this operation will cover its costs by July 1," the bearded Chairman remarks in his austere office in the farm's administration building. He notes that his father was an independent farmer before collectivisation, and the Ebels were among the first peasants in Brandenburg to be freed from serfdom 200 years ago.

For East Germans July 1 has become virtually the economic equivalent of D-Day in 1944. The Deutsche Mark will be introduced in East Germany on July 1 and the more than 500 "agricultural workers" at Schwante are as nervous and fearful as East Germans anywhere about the impending plunge into the market economy. Consumers still pay 82 pfennigs for a one-kilo loaf of bread that costs at least double to produce and farmers feed bread from the shops to pigs instead of more expensive fodder. Nearly 12 per cent of the annual state budget went toward subsidising a system which was a roaring success compared with Soviet agriculture, but lagged well behind Western European farming in productivity and quality.

With little more than a month to go before monetary union with West Germany, the market for domestic agricultural products is collapsing. State food stores, which are about to be privatised, have linked up with West German supermarket chains and are no longer interested in buying high-cost East German tomato paste, vegetables or fruit.

Schwante sold M2m worth of tomatoes to canners last year but is now left with fields of tomato plants and no buyers in sight. Some 70 hectares of carrots dutifully planted according to the plan may never find a buyer.

Mr Siegfried Blumberg, Chairman of the neighbouring collective cattle farm, says slaughterhouses have stopped buying his pigs although there are shortages of pork in the shops. Some of them are buying from collective farms which are dumping meat at below-cost prices.

At the same time West German producers are flooding East German shops with high-quality, attractively-packaged sausage.

"Our products cannot compete, they are not uniform and the packaging is poor," Mr Blumberg readily admits. Quotas have been established to stem the influx of Western food products, and exports to the West are to be encouraged. But Mr Blumberg complains that he waited in vain for weeks to get government approval for a sale of 600 young pigs to a West German breeder. The price in DM was well below what he previously received in East German Marks from the state but it was better than destroying the pigs as is widespread.

Marginal quality of agricultural output is a barrier, however, to selling to the West. The old pricing system for cattle favoured weight so that

Jürgen Ebel: growing the tomatoes that nobody wants

pigs are now 20 per cent too fat compared with their leaner Western cousins.

High-priced fodder and obsolescent farm equipment add to lower quality and high production costs. Mr Blumberg pointed to an ancient fodder grinder which turned out coarse fodder with a low nutritional value. In coming months, East German potatoes which are maltreated by crude harvesting and sorting machines are unlikely to be unable to compete successfully with unblemished Dutch and German potatoes.

No one, not even the Bonn Government, questions that East German agriculture in the future will be based on co-operative farming. But membership will be voluntary and farmers will have the right to withdraw as much land as they wish from the co-operative. Mr Ebel is convinced there is no alternative to co-operative farming. "You just can't wipe out 30 years," he insists.

Somewhat incongruously, the red flag of the Communist Party still hung in the collective's dining hall when he spoke to a meeting of members last week about the massive problems they faced in adapting to the market economy.

After giving up their bitter opposition to collectivisation in the early 1950s, the former peasant farmers who were forced to enter the collective did not do badly out of the system. Average pay was M13,100 last year plus M700 worth of payment in kind. This was equal to the average industrial wage and most farm families lived in comfortable homes and owned a small car. Collective farmers worked a 43 hour week – unheard of in the West for a private farmer – and enjoyed a minimum 18 days holiday which they could spend cheaply in the farm's holiday cabins. Everyone was given free medical treatment and a daily hot meal for M1.

Small wonder that there is little interest in returning to the drudgery of private farming. Farmers can apply to regain the land which they "gave" to the collective but none of the 20 in Schwante who want their former fields back plan to work them privately. Instead, they are thinking of selling their land, which lies only 15 km northwest of Berlin, to the highest bidder seeking land for housing or recreation.

Weather holds up US grain crops

By Barbara Durr in Chicago

DESPITE A US Government report on Tuesday that portions of the Midwest's maize crop are in poor condition and soyabean plantings are way behind schedule, the futures market prices at mid-morning for maize fell and soyabeans rose only slightly. The market's reaction appeared to be contrary to what the report indicated, but it was operating on other factors.

Maize futures fell about 2½ cents while soyabeans were up about 1 cent at the Chicago Board of Trade.

The cold, very wet spring weather that the report said has dogged soyabean plantings and kept maize soaked, is about to let up, according to some private forecasters. Rain that had been expected this week is not materialising and predictions of heat have made grain traders believe that excess moisture could evaporate quickly from fields of maize, the most important US crop.

The US Government report said that in Iowa, the top maize producing state, 10 per cent of the crop was in poor shape and 48 per cent in only fair condition. In Illinois, the second largest producer, 10 per cent of the crop was rated poor or very poor and half was given only fair marks.

The rains have delayed soyabean plantings: only 27 per cent of the crop is in the ground now, compared with 53 per cent by this time last year. Analysts had expected about 5 to 10 per cent more planting.

Part of the explanation for the reversal in prices, according to Mr Nick DeBrown, a grain analyst with Goldenberg, Hehmeyer & Company, was that Refco, the world's largest futures commission merchant, was taking profits on selling maize and buying soyabeans yesterday.

Mr Dan Markey, of Agri Analysis, said the old adage that rain makes grain will hold true and that the amount of acreage not planted is insignificant to US production.

● PRESIDENT BUSH and Mikhail Gorbachev, the Soviet leader, may agree on a US-USSR grain pact during the summit meeting starting today, White House officials said, Reuter reports from Washington.

"The grain agreement is pretty close now," said Mr Marin Fitzwater, a White House spokesman. But Mr Julius Katz, deputy trade representative and negotiator, said earlier that the signing of the grain pact was clouded by uncertainty whether a completed bilateral trade pact would be signed at the summit.

Gold development hit by fall in prices

By Kenneth Gooding

STEADILY-FALLING gold prices over the past two years have caused a substantial slowing down in the pace of new gold mine development worldwide, according to a survey by Mining Journal.

The trend is most marked in Australia and North America, the two areas at the forefront of the gold boom in the second half of the 1980s.

Mining Journal reports that only seven new mines are due to start production this year in Australia, compared with 19 last year and 41 in 1988, cutting expected gold output to 900,000 troy ounces this year after a rise of 1.8m ounces in 1989.

In North America, 22 new mines are expected to start up this year, against 42 in 1989, and 52 the previous year, reducing new gold production in 1990 to 2.8m ounces from 3.2m ounces last year.

No new gold mines will start up this year in South Africa, the world's biggest producing country. Last year there was one, and in 1988, five. However, new gold production in South Africa this year is expected to rise from the 40,000 ounces in 1989 to 61,000 ounces.

Western world new gold output last year totalled 5.85m ounces and this is expected to fall in 1990 to 4.76m ounces.

In all, 114 new gold mines were commissioned in 1988, another 82 in 1989, and a further 41 are planned to start production this year.

The figures have been gathered from the Journal's Mining Database service, which covers gold mining worldwide and has data on 780 operations.

Mining Journal points out that information about closures or reductions in output is understandably hard to come by, but says in 1988 in North America reductions and closure cost the output of 250,000 ounces of gold, in Australia and New Zealand there was a 251,000 ounce loss, some 448,000 ounces went in Asia and 48,000 from South America.

Booker to manage Guyanese sugar

By Canute James in Kingston, Jamaica

BOOKER AND the Guyanese Government are concluding the terms of an agreement under which the company will take over the management of the troubled sugar industry.

Government officials in Georgetown, the capital, said the management contract was a first step in what the administration hoped would be the rehabilitation of the unprofitable industry whose output has declined in the past three years.

The agreement will mark a return to Guyana by Booker, which owned the industry until it was nationalised 14 years ago. Its renewed involvement follows efforts by the Guyana government to divest itself of ownership and management of several state enterprises, and which has already seen foreign companies investing in bauxite and gold mining.

Officials of the British company, who were recently in Guyana, said Booker was not seeking any ownership of the sugar industry which is currently run by the Guyana Sugar Corporation. Guyana's debt to the company of £4.2m, representing remaining payment for the nationalised assets, will be converted to equity, they said.

The company intends to work with the Guyanese government to enlarge equity in the industry, thus reducing the level of government ownership through local private ownership, which will include the 20,000 workers in the industry.

Government officials said that the rehabilitation of the industry would demand about $20m, but that Booker's participation and other moves towards divestment would make it easier to get new loans.

Booker is already involved in similar ventures in the Caribbean, with the management of the sugar industries in Jamaica and Belize. But putting the Guyanese industry on a sound footing may prove its most difficult undertaking in the region.

Although the industry recorded a profit of G$10.3m (US$312,000) in 1988, it has recorded substantial losses since 1981, reaching G$119.8m in 1983 and G$102.3m in 1984.

Production which was over 300,000 tonnes in 1981 has been falling steadily, with output in each of the past two years being just over 160,000 tonnes. The country was forced to declare force majeure after failing to meet its quota to the European Community last year, and faces the prospect of doing so again this year, with the threat of losing a part of the quota. Sugar has had to be imported to meet domestic demand.

The government said earlier this year that the target for the industry is 250,000 tonnes per year which would satisfy its commitments to the EC, the United States and meet domestic consumption.

Mexico announces ban on hunting of marine turtles

By Rebecca Doulton in Mexico City

A TOTAL and permanent ban on the hunting and exploitation of marine turtles in Mexico has been announced by President Carlos Salinas de Gortari.

A national plan for the turtles' protection and conservation is also to be implemented under the auspices of the Fishing Ministry (Sepesca) and the Ministry of the Ecology and Urban Development (Sedue).

The decree has been called for by leading international and national environmental groups including the World Wide Fund for Nature, and Greenpeace.

According to Mr Homero Aridjis, founder of the ecological organisation, Group of 100, President Carlos Salinas de Gortari received over 60,000 petitions from environmental groups to ban hunting of the turtles in Mexican waters.

Nine of the eleven species come regularly to Mexico and seven of these come annually to mate and lay their eggs.

The Olive or Pacific Ridley is the most hunted of the turtles and has seen its adult population diminish. Its skin is coveted by the Japanese for shoes.

Japan has signed the Convention on International Trade in Endangered Species (Cites) but there is a clause allowing for the importation of turtle by-products, which has encouraged an enormous black market in Mexico, which is expected to sign Cites on June 5.

The official fishing quota of 20,000 Pacific Ridley turtles per annum was grossly exceeded in 1989; unofficial counts attested that over 75,000 turtles had been slaughtered, 99 per cent of them female.

The Pacific Ridley, hunted for its fin skin has also been a victim of egg poaching, while the Hawksbill turtle is killed for its shell.

Sepesca claims to have protected 17m eggs and returned 4.5m baby turtles to the sea.

Alternative employment for the turtle hunters and fishing co-op members will be covered by the National Solidarity Programme.

WORLD COMMODITIES PRICES

MARKET REPORT

ALUMINIUM was the brightest spot on a dull London Metal Exchange yesterday. An $8.50 rise took the cash metal price to $1,563 a tonne, only $1 below last Tuesday's six-week high. Dealers said an early decline was reversed partly in response to talk that exchange warehouse stocks could start to fall from the current high level. Sentiment was also aided by copper's improved late performance in partly recouping the morning fall to a 3½-month sterling-based low. The cash price still ended £18 down on the day at £1,563 a tonne, but in view of sterling's strength that was not such a bad performance and traders said the market's chart pattern remained neutral. Lead, the LME's other sterling denominated contract, was also depressed by sterling's strength and ended £3 down on the day at £491 a tonne in the cash position. But cash zinc regained $10 of Tuesday's $29.50 fall after absorbing the profit-taking which followed an early rise, based on the high price paid at Tuesday's US mint tender. At the London Futures and Options Exchange cocoa and coffee markets were dominated by technical factors and finished modestly lower on the day.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.35-4.40q	+0.25
Brent Blend	$16.83-6.87q	+0.40
W.T.I. (1 pm est)	$18.22-8.25q	+0.55
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$233-235	+3
Gas Oil	$150-151	+2
Heavy Fuel Oil	$63-65	
Naphtha	$151-153	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$368.5	-1.0
Silver (per troy oz)♣	510c	-1
Platinum (per troy oz)	$496.50	-4.75
Palladium (per troy oz)	$120.00	-1.75
Aluminium (free market)	$1545	+5
Copper (US Producer)	124c	
Lead (US Producer)	45c	
Nickel (free market)	390c	
Tin (Kuala Lumpur market)	17.00r	+0.01
Tin (New York)	298c	-1
Zinc (US Prime Western)	87c	
Cattle (live weight)†	108.15p	+2.32*
Sheep (dead weight)†	181.53p	-53.6*
Pigs (live weight)†	112.18p	+3.31*
London daily sugar (raw)	$341.2z	-13.8
London daily sugar (white)	$437.0z	-9.6
Tate and Lyle export price	£314.0	-10.0
Barley (English feed)	£120.5u	
Maize (US No. 3 yellow)	£144.5w	
Wheat (US Dark Northern)	£124	
Rubber (Jul)♥	55.25p	-0.50
Rubber (Aug)♥	55.75p	-0.50
Rubber (KL RSS No 1 Jun)	231.5m	+0.5
Coconut oil (Philippines)§	$347.5z	
Palm Oil (Malaysian)§	$277.5q	
Copra (Philippines)§	$230	
Soyabeans (US)	£158.5v	
Cotton "A" Index	90.75c	+1.50
Wooltops (64s Super)	536p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jul. u-Oct/Dec v-May/Aug. w-Jun z-Jun/Jul y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	310.40	316.80	319.00 305.00
Oct	308.00	313.80	316.00 302.80
Dec	310.00	315.00	307.80 302.80
Mar	291.60	296.80	298.80 288.00
May	291.40	297.80	297.80 293.00
Aug	289.80	297.00	296.40 288.00
Oct	289.00		295.60 292.00
White	Close	Previous	High/Low
Aug	424.0	429.0	433.0 421.0
Oct	386.0	391.0	393.5 384.0
Dec	373.5	378.5	377.5 372.0
Mar	368.5	373.5	374.0 365.0
May	367.0	372.0	372.0 369.0
Aug	365.0		371.5 368.0
Oct	354.0		357.5 356.0

Turnover: Raw8281 (2864)lots of 50 tonnes. White 2022 (749)
Paris- White (FFr per tonne): Aug 2410, Oct 2210, Dec 2160, Mar 2110, May 2110

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jul	16.79	16.66	17.05 16.73
Aug	17.08	17.00	17.33 17.08
Sep	17.45	17.30	17.55 17.45
IPE Index	16.47	16.79	

Turnover: 9560 (8263)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Jun	149.50	148.50	150.00 148.25
Jul	150.00	148.75	150.00 148.25
Aug	152.25	151.75	152.60 150.75
Sep	154.00	153.50	154.50 153.25
Oct	157.00	157.00	157.25 156.00
Nov	158.50	158.25	160.00 158.25
Dec	161.00	159.50	161.00 159.75
Jan	159.50	158.50	159.50

Turnover 7842 (6710)lots of 100 tonnes

WOOL
The approach of today's decision on the Australian floor price kept markets in limbo during the past three weeks. Australian sale clearances to the trade fell this week to less than 10% in an attempt to fend off a floor price cut, industry leaders stressed that future credibility in such schemes would be lost and some growers and traders would be bankrupted. The government is the final arbiter, however, balance of payments and debt provisions have clearly been crucial. The industry has a difficult time ahead, with a much higher wool tax levy and lower returns, but at least the decision will have ended uncertainties.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
May	927	935	925 914
Jul	937	942	944 932
Sep	950	949	950 947
Dec	965	971	978 965
Mar	980	980	993 980
May	997	1006	1006 995
Jul	1012	1024	1018 1012

Turnover: 5518 (5853) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 29 1143.07 (1175.36) 10 day average for May 30 1147.41 (1142.15)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
May	627	634	629 618
Jul	645	651	649 640
Sep	659	665	664 655
Nov	675	680	675 669
Jan	690	694	690 684
Mar	701	700	701 697

Turnover: 2528 (2250) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 29: Comp. daily 74.02 (75.08). 15 day average 73.56 (73.44)

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	124.0	122.8	124.0 123.9
Apr	175.5	174.6	178.0 171.0

Turnover 200 (282) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Jun	115.00	120.00	115.00 115.00
Aug	117.00	119.00	117.00 117.00
Oct	120.00	121.60	121.00 120.00

Turnover 105 (30) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
May	1305	1312	1312 1310
Jun	1195	1187	1198 1184
Jul	1094	1086	1095 1084
Oct	1190	1195	1195 1190
Jan	1223	1233	1226 1220
Apr	1235	1255	1236 1231
BFI	1303	1304	1303 1303

Turnover 362 (181)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Jun	117.20	118.75	118.00 117.20
Sep	113.60	113.75	
Nov	117.35	117.60	117.40 117.00
Jan	120.50	120.70	120.50
Mar	123.85	123.85	123.85
May	127.00	127.20	127.00
Barley	Close	Previous	High/Low
Sep	112.30	112.10	112.30 111.95
Nov	116.35	116.25	116.10 115.95

Turnover: Wheat 94 (123), Barley 17 (46).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	136.8	136.5	137.0 136.7
Aug	122.5	122.0	122.5 121.5
Oct	124.3	124.0	124.5 124.0
Nov	121.5	120.4	121.5 121.5
Mar	112.5	110.5	112.0 112.0

Turnover 120 (76) lots of 3,250 kg

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						
Cash	1562-4	1553-6	1550/1547	1547-8		
3 months	1583-5	1575-6	1607/1582	1583-5	1581-2	[illegible] lots
Copper, Grade A (£ per tonne)						
Cash	1562-4	1580-2	1564/1532	1552-3		
3 months	1484-5	1504-5	1487/1469	1469-71	1485-6	[illegible] lots
Lead (£ per tonne)						
Cash	490-2	493-5	490/488	489-90		
3 months	487-8	490-1	490/486	486-6.5	489-90	[illegible] lots
Nickel ($ per tonne)						
Cash	8475-500	8475-500		8425-50		
3 months	8475-500	8475-500	8500/8375	8475-500	8360-75	[illegible] lots
Tin ($ per tonne)						
Cash	6380-400	6380-400	6350/6335	6346-7		
3 months	6510-20	6515-20	6520/6460	6470-5	6490-500	[illegible] lots
Zinc, Special High Grade ($ per tonne)						
Cash	1745-50	1735-40	1749/1747	1747-8		
3 months	1685-7	1677-80	1795/1780	1683-5	1687-8	[illegible] lots
LME Closing £/$ rate: SPOT: 1.6955		3 months: 1.6870		6 months: 1.6440		9 months: [illegible]

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	368¼-368¾	215¾-216¼
Opening	366½-367	215-215½
Morning fix	365.70	214.298
Afternoon fix	366.40	215.150
Day's high	368¼-367¼	
Day's low	365-365½	

Coins	$ price	£ equivalent
Maple leaf	375-380	221-224
Britannia	375-380	221-224
US Eagle	375-380	221-224
Angel	376½-381½	222¼-225¾
Krugerrand	366-369	216-218
New Sov.	87-89	51-52½
Old Sov.	87-89	51-52½
Noble Plat	502.45-510.40	295.20-299.90

Silver fix	p/fine oz	US cts equiv
Spot	300.85	513.00
3 months	312.40	523.95
6 months	323.45	534.75
12 months	345.60	557.70

TRADED OPTIONS				
Coffee	Jul	Sep	Jul	Sep
600	51	74	6	16
650	19	44	24	31
700	3	25	62	67
Cocoa	Jul	Sep	Jul	Sep
900	52	85	15	35
950	25	58	36	55
1000	11	40	74	90
Brent Crude	Jul	Aug	Jul	Aug
1650				
1700	30	57		40
1750	37			

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	364.1	367.4	367.4	363.0
Jul	366.4	369.5	0	0
Aug	368.9	371.9	371.9	366.0
Oct	373.7	376.7	376.4	372.5
Dec	378.4	381.4	381.5	377.0
Feb	383.2	386.3	386.0	382.5
Apr	388.0	391.1	388.5	387.7
Jun	393.2	396.3	396.0	393.5
Aug	398.0	401.1	400.5	400.5

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	494.8	500.0	499.5	493.0
Oct	500.7	506.2	505.5	499.0
Jan	506.7	512.2	511.0	505.0
Apr	512.6	518.1	0	0
Jul	518.5	524.0	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	504.7	513.8	0	0
Jul	508.5	517.8	520.5	507.5
Sep	516.7	526.2	528.0	516.0
Dec	528.4	538.1	540.0	528.0
Jan	532.0	541.8	0	0
Mar	539.6	549.5	549.0	536.0
May	547.7	557.7	556.0	550.0
Jul	555.9	566.0	566.0	556.0
Sep	564.5	574.7	574.4	574.4

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	113.60	115.00	114.45	113.50
Jul	110.40	112.50	112.80	111.00
Aug	108.75	109.30	108.00	108.80
Sep	107.30	107.90	108.50	106.60
Oct	106.30	106.55	0	0
Nov	105.05	105.25	0	0
Dec	103.60	103.80	104.00	103.60
Jan	102.60	102.60	0	0
Mar	100.80	100.95	101.10	100.25
Apr	100.20	99.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	18.18	17.96	18.45	18.08
Aug	18.72	18.56	18.86	18.67
Sep	19.29	19.06	19.40	19.18
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	1440	1452	1462	1435
Sep	1462	1468	1487	1449
Dec	1482	1488	1500	1475
Mar	1508	1516	1525	1492
May	1528	1514	1535	0
Jul	1546	1552	1540	1537
Sep	1560	0	1560	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	95.10	95.15	95.70	94.80
Sep	97.80	97.49	98.20	97.00
Dec	100.50	100.00	100.75	99.40
Mar	102.85	102.00	102.60	101.75
May	104.15	104.00	104.20	103.60
Jul	107.15	105.60	0	0
Sep	106.00	107.00	107.00	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	13.71	14.03	14.11	13.53
Oct	13.70	14.00	14.05	13.50
Mar	13.21	13.59	13.53	13.09
May	13.15	13.50	13.45	13.00
Jul	13.04	13.31	13.32	12.95
Oct	12.90	13.40	13.14	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	81.13	82.03	82.15	80.05
Oct	72.34	72.80	72.85	71.90
Dec	68.67	68.81	69.05	68.15
Mar	69.53	69.65	69.20	69.10
May	69.89	70.00	69.89	69.60
Jul	69.94	70.05	0	0
Oct	64.50	65.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	196.60	197.45	198.50	196.50
Sep	194.25	194.45	195.00	194.00
Nov	187.00	187.25	188.00	187.50
Jan	184.25	184.45	185.00	184.25
Mar	184.25	184.10	184.00	183.75
May	184.25	184.10	0	0
Jul	184.25	184.10	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	May 30	May 29	mnth ago	yr ago
	1918.3	1927.1	1937.4	2014.4
DOW JONES (Base: Dec. 31 1974 = 100)				
	May 29	May 28	mnth ago	yr ago
Spot	133.39	134.21	133.73	133.56
Futures	133.47	134.15	132.92	133.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	605/2	606/0	609/4	604/0
Aug	611/6	613/4	615/0	610/0
Sep	612/6	614/4	614/4	612/0
Nov	619/4	620/0	624/2	618/0
Jan	626/4	627/4	631/2	626/0
Mar	634/4	635/0	640/4	634/0
May	641/4	641/0	645/4	640/0
Jul	650/6	650/0	650/0	650/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	23.44	23.27	23.49	23.23
Aug	23.24	23.12	23.28	23.04
Sep	23.02	22.93	23.00	22.84
Oct	22.65	22.55	22.75	22.48
Dec	22.35	22.25	22.44	22.15
Jan	22.05	22.02	22.15	21.93
Mar	21.87	21.87	21.98	21.80
May	21.77	21.72	21.85	21.70

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	179.5	179.6	180.6	179.5
Aug	180.6	181.7	182.3	180.5
Sep	182.6	182.7	183.3	182.5
Oct	184.2	183.4	185.0	183.6
Dec	187.1	186.7	188.1	186.5
Jan	188.4	188.2	189.3	188.0
Mar	191.7	192.0	192.0	190.5
May	193.0	193.0	193.5	192.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	279/4	284/2	284/0	279/2
Sep	274/2	278/4	278/4	274/0
Dec	270/4	275/2	275/0	270/2
Mar	276/4	281/2	280/4	276/0
May	279/4	284/2	284/2	279/2
Jul	281/4	285/2	285/4	281/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	332/2	335/6	335/0	330/4
Sep	338/4	341/4	341/0	337/0
Dec	352/4	354/2	354/4	350/2
Mar	359/0	360/4	360/4	357/0
May	353/0	355/0	354/4	351/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	73.87	74.07	74.25	73.62
Aug	72.92	73.25	73.32	72.67
Oct	73.25	73.50	73.50	73.05
Dec	74.57	74.92	74.95	74.40
Feb	75.02	75.52	75.35	74.85
Apr	76.00	76.30	76.30	75.95

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	66.45	67.25	67.35	66.10
Jul	63.70	64.95	65.30	63.45
Aug	61.80	63.10	63.20	61.60
Oct	53.50	54.70	54.80	53.40
Dec	53.52	54.42	54.45	53.30
Feb	51.80	52.15	52.07	51.50
Apr	48.05	48.35	48.35	47.50

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	66.05	67.65	68.60	65.05
Aug	64.25	65.80	67.55	63.80
Feb	60.45	60.20	61.95	59.35
Mar	59.75	60.20	60.40	59.00
May	57.40	60.40	57.75	57.40

LONDON STOCK EXCHANGE

Wall Street and futures drive equities

THE UK stockmarket continued to move ahead strongly on increased turnover yesterday, spurred on by the renewed advance on Wall Street overnight. A 50 point gain in the FT-SE Index was fuelled by a strong Index futures sector, as well as by a good performance from both the sterling and Government bond markets.

There was also some early speculation that yesterday's speech by Mr John Major to the Paris meeting of OECD ministers might bring news on EMS entry prospects. But in the event, Mr Major made no such reference.

The initial spur for the London equity market came from across the Atlantic, where the overnight rise in the Dow Jones Industrial Average to a record high, brought a strong opening in the UK market. The FT-SE Index closed near the day's best as New York extended its rise in the early part of the new session.

Account Dealing Dates

*First Dealings:	May 14	May 29	Jun 11
Option Declarations:	May 24	Jun 7	Jun 21
Last Dealings:	May 25	Jun 8	Jun 22
Account Day:	Jun 4	Jun 18	Jul 2

*New-time dealings may take place from 8.30 am two business days earlier.

Equities were once again spurred by technical strains in both the Footsie future and in the underlying stocks. The premium on the Footsie future expanded to more than 40 points in early trading, taking the FT-SE index to within three points of 2,350, which is seen as the next staging post for the stockmarket.

Equities were also encouraged by the rise in the sterling exchange rate and by widespread gains in UK Government bonds. Share prices paid little immediate heed when both these sectors slipped from their best levels of the day after Mr Major reminded the markets that further rises in domestic interest rates were not ruled out, should events warrant them.

The final reading showed the FT-SE Index 50.6 points up on the day at 2,346.2. Trading volume, as measured by the Seaq system, expanded sharply. However, the Seaq total of 556.4m shares, against 330m in the previous session, included inter-market business, of which there appeared to be a high proportion. Some marketmakers are still short of stock despite attempts to keep trading books level.

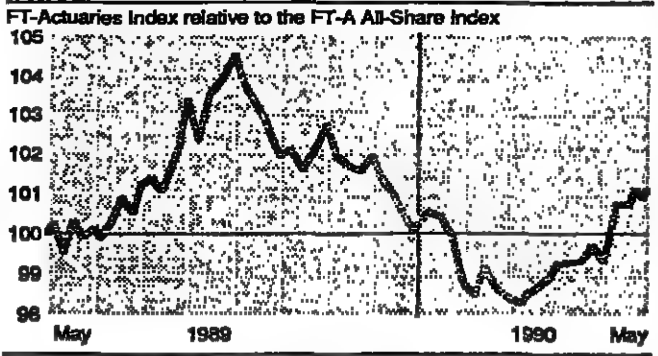
According to dealers at the leading securities houses, the institutions remain cautious buyers, still convinced that the current erratic trends in the market will provide buying opportunities.

However, traders noted a ready response to yesterday's £140m rights issue by Bowater, the second rights issue of the past fortnight. Such issues provide a means of entry for institutions which are unhappy at plunging into an equity market capable of moving sharply in intra day trading. Consumer stocks (See chart) continued to respond to the continued strength of domestic consumer spending.

The buoyancy of yesterday's market revived a host of the market's favourite takeover and speculative stories.

Consumer Group

FT-Actuaries Index relative to the FT-A All-Share Index



Abbey National (201p) also showed modest gains, the former attracting renewed takeover speculation. The best gains were scored by Lloyds (288p), widely recommended by sector analysts, NatWest (349p) and Barclays (397p).

Among insurances, Lloyds Abbey (325p) found buyers, and others to show up well included Legal & General (401p), still responding to the purchase of 49 estate agency offices on apparently favourable terms, Refuge (632p) and London & Manchester (325p). At 222p, Prudential made progress despite County's decision to remove it from the firm's "buy" list – Kleinwort Benson suggested trimming overweight holdings in Prudential earlier this week.

Moderate support found sellers of Courtaulds reticent and the price spurted 14 to 345p in turnover of only 1m shares. Stock shortages were also apparent in Trafalgar House, up 9 at 330p, although volume was better at 2.3m shares.

Another broking house recommendation prompted fresh interest in BET, which rose 5 more to 243p. BZW consider the shares "substantially undervalued" and highlight the large final dividend which accounts for about 70 per cent of what is, in any case, a high yield underpinning the shares. The group's preliminary statement is due on June 18.

Siebe exceeded market expectations with annual profits of £181.3m compared with £152.2m last time. The accompanying statement on prospects was bullish and the shares raced 14 higher to 489p. Mr Colin Fell at Kleinwort Benson forecast that Siebe would achieve profits of £200m this year, adding that the shares were cheap at the moment on a price/earnings ratio of only 8.8.

Alexander Proudfoot, the management consultancy and business services company, responded strongly to the chairman's remarks at yesterday's annual meeting. He said "current trading results are substantially in excess of those in the comparable period of 1989," news which raised the shares 18 to 351p.

Bowater became nervous immediately after news of the £140m rights issue. The shares dropped to 497p but rebounded well to end unchanged on balance at 514p. There was talk of an impending Continental acquisition but Ibstock Johnsen prospered on hopes of a bid from Bowater and closed 6 up at 136p, after 141p.

Guinness rose 18 to 742p ahead of a presentation to institutions in London on June 14 organised by Smith New Court. LVMH, the French luxury goods group in which Guinness has a 24 per cent stake, has a presentation in London on the previous day. LVMH has 12 per cent of Guinness and the two companies have said they wish to make the cross-holding symmetrical.

Dealers said acute stock shortages accentuated the sharp rises in selected building stocks. The obvious example was RMC, which bounded 19 to 696p in thin volume.

Good early demand forced Redland higher to 596p, up 8, while BPB Industries, a County NatWest buy, progressed further to 239p for a rise of 9. Tarmac closed below the best but still showed a gain of 7 at 261p.

Hewden Stuart went 6½ higher to 105p, and after the close of business the Scottish Amicable Investment Managers disclosed a holding of more than 3 per cent. Vibroplant revived ahead of Monday's annual results with a gain of 7 to 141p.

Few adverse features emerged with the exception of John Mowlem, the contracting group. A trader said a few sellers hit the market at the same time, arousing negative thoughts about the annual meeting scheduled for today. The shares dropped to 314p before closing 12 down on the day at 318p.

News of a big Mexican order for 18 A320 Airbuses, with an option to buy another 14, buoyed up British Aerospace. It closed 7 better at 546p.

County NatWest's latest circular on Properties described the sector settling back into no-man's land. That was borne out yesterday by various contrary signals. Speyhawk climbed 7 to 178p in line with the market trend despite a 40 per cent fall in interim profits. The market had largely anticipated the bad news and was only on the look-out for the good. British Land was 7 better at 346p on renewed restructuring hopes.

According to one marketmaker, there were some "rinky-dink" rumours concerning Greycoat, which closed 6 to the good at 418p. There was still little turnover in the sector.

Lex Service moved 6 higher to 256p as the market digested Nomura's buy note. This suggested that Lex's core business of car distribution was staring at the bottom of its cyclical downswing. Profits for 1990 would be lower but further out the company offered immense promise, Nomura said.

A cautious statement on trading prospects in the UK and Brazil at Foseco's annual general meeting pushed its shares down 16 to 233p. BZW thought that these bearish noises underpinned its low estimate of £42m pre-tax profits for the year.

Elsewhere in the chemicals sector, Plysu gained 14 to 120p despite a fall in its annual profits. The shares rose as the company reported that there would be a "significant improvement" in its performance in the months to come.

Logica, which suffered heavily on Tuesday after issuing a profits warning, rallied early in the day but then slipped to 216p, down 3. Tunstall Group, which also fell heavily earlier in the week after announcing it had ended ended buy-out talks, fared better and firmed 12 to 152p.

Tinsley Robor dipped after termination of the bid talks with Wace to close 7 down at 27p. Wace firmed 11 to 347p helped by the chairman's confidence at the annual meeting yesterday about trading prospects.

Molins dropped 5 to 270p as the bid from Leucadia failed to reach the 50 per cent level.

Increased annual profits underpinned Mercury Asset Management, up 10 at 650p while Close Bros. improved 9 to 224p on the disclosure that Caledonia Investments had lifted its shareholding to 25.4 per cent.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

Growth warning at Thames

A cautious statement from the chairman of Thames TV at the annual meeting led to a sharp drop in the shares. Sir Ian Trethowan said that advertising revenue was down on 1989 and that "there is little sign of a rapid return to real growth." He added that the new arrangement for the implementation of the Exchequer levy, the government tax on commercial television companies, was having a "harsh effect".

But analysts said the main problem at Thames was with Reeves, the US production house acquired last year. Sir Ian said that Reeves' results for the full year "may fall below market expectations."

Ms Bronwen Maddox at Kleinwort Benson cut her profit forecast for the current year from £32m to £28m saying that "the only reason" for the change was Reeves. Ms Jane Anscombe at BZW cut her forecast from £31m to £27m-£28m, and identified two series as producing less revenue from syndication than anticipated. Thames fell 33 to 513p.

SmithKline up

SmithKline Beecham outperformed the market on news of the £210m sale of most of the rest of its cosmetics business to JA Benckiser of West Germany. The market ignored some analysts' suggestions that the price could have been higher and concentrated instead on the benefits to the company's gearing. SmithKline said the deal took gearing to 130 per cent and kept it on target to be less than 100 per cent by the end of the year.

Mr Martin Hall at UBS Phillips & Drew said that there was still another £40m or so to come from the sales of Montana in France and Yardley in South Africa. That would take the consideration of the cosmetics businesses to around £350m, including £110m from Yardley-Lenthéric.

With the uncertainty over the cosmetics sales largely out of the way, SmithKline rose 21 to 539p on steady turnover of 1.5m shares.

Glaxo R&D

A long-awaited presentation by Glaxo on its research and development stimulated trade in the stock, although even a late advance put the price rise only in line with the rest of the market.

Some analysts felt there were some negative aspects to the seminar. Mr Martin Hall at UBS Phillips & Drew said it was now clear that there would be generic competition for Zantac, Glaxo's money-spinning anti-ulcer drug, from when the first patent ran out in 1995. He said that a West German company was already planning to sell a generic alternative.

But Mr Ian White at Kleinwort Benson took an unequivocally positive view of the presentation. He said that no drugs of stockmarket significance had been dropped or delayed, that a new and better anti-ulcer drug, Ranitidine Bismuth Citrate, was due to be launched in 1995, and that the company's anti-ulcer drug Zofran also treated anxiety.

Mr White added that the shares' early relative weakness – the price bottomed at 784p – was the results of some investors' determined to sell whatever was said at the presentation. The shares closed at 797p, a net improvement of 15, as 8.6m changed hands.

Ultramar decline

In an otherwise quiet oil sector, Ultramar stood out with a decline of 7 to 342p, making it the worst performing stock in the FT-SE 100.

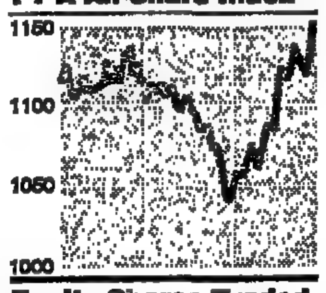
Analysts identified the main cause of the weakness as a renewed sell recommendation from Kleinwort Benson. The securities house said that Ultramar had been pushed as a growth stock without much justification. It questioned whether there would be any growth at all this year, saying that the lower oil price would hurt both production margins and the cost of holding stocks.

"Any recovery will be in the third quarter rather than the second and we expect other brokers will have to come down to our current year forecast of £100m" (from more than £115m), said Kleinwort. It recommends that investors should "switch into Burmah, which has better growth potential." Burmah added 2 at 635p in thin trade. Ultramar turned over 2.4m shares and at one point touched a low of 339p after one determined seller had been active, said traders.

Banking stocks threw off any lingering effects of the recent batch of downgradings and joined in the general equity market advance. However, there was only limited demand from institutions; most of the activity reflected inter-market trade as marketmakers sought to cover short positions taken out in last week's less confident market.

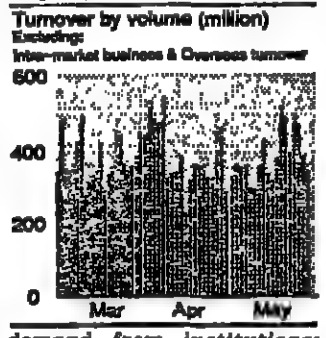
Midland, still restrained by the bearish view at several leading securities houses, were content with a gain of a few pence at 289p. TSB (143p) and

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Inter-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (84).
BRITISH FUNDS (2) AMERICANS (5) BANKS (1) BREWERS (7) BUILDINGS (3) CHEMICALS (4) STORES (9) ELECTRICALS (6) ENGINEERING (3) FOODS (7) INDUSTRIALS (18) AGA, Alumasc, American Business Systems, Boots, Dolphin Packaging, Eurocopy, Great Southern, Hanson, Hughes (HT), Le Creuset, Proudfoot (A), Reuters, Rolfe & Nolan, Siebe, Swire Pacific A, Tomkins, Williams Hldgs. Cv. Pref., Do. 6¾pc Pref., NEWSPAPERS (2) PAPERS (1) TRUSTS (11) OVERSEAS TRADERS (2) MINES (1).
NEW LOWS (37).
AMERICANS (1) CANADIANS (2) BANKS (3) BREWERS (1) BUILDINGS (1) CHEMICALS (1) ELECTRICALS (5) ENGINEERING (1) INDUSTRIALS (4) Anglo United, Medeva, Norton, Platignum, LEISURE (1) PROPERTY (2) TEXTILES (1) TRANSPORT (1) TRUSTS (4) OILS (3) MINES (4) THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	May 30	May 29	May 25	May 24	May 23	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.58	78.16	78.25	78.36	78.58	85.43	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.27	87.24	87.08	87.29	87.25	95.94	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1857.4	1823.3	1800.0	1805.2	1810.0	1755.7	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	216.2	215.7	211.2	209.7	211.5	173.5	378.5 (6/2)	207.1 (18/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2346.2	2295.6	2285.6	2277.1	2287.4	2114.4	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.96	5.06	5.11	5.08	5.07	4.53				
Earning Yld %(full)	11.22	11.43	11.56	11.49	11.47	10.97				
P/E Ratio(Net)(☆)	10.76	10.58	10.48	10.52	10.54	11.04				
SEAQ Bargns 4.45pm	30,637	21,836	25,638	24,440	31,298	25,855				
Equity Turnover(£m)†	-	509.09	849.89	1077.70	1112.50	1589.84				
Equity Bargains†	-	22,945	26,285	25,267	30,814	28,175				
Shares Traded (ml)†	-	339.5	371.5	380.8	460.4	606.2				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.67

Ordinary Share Index, Hourly changes Day's High 1860.7 Day's Low 1843.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
[illegible]	1852.6	1846.8	1846.8	1849.6	1858.6	1859.4	1856.1	1856.3

FT-SE, Hourly changes Day's High 2347.2 Day's Low 2327.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2327.8	2335.3	2333.8	2330.8	2334.4	2343.8	2344.7	2342.8	2345.0

GILT EDGED ACTIVITY

Indices*	May 29	May 25
Gilt Edged Bargains	66.9	81.7
5—Day average	93.8	100.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	1,800	181½	+7½
ASDA Group	6,700	187	
Abbey National	4,800	201	+6
Allied-Lyons	3,700	467	+17
Amstrad	1,000	67	−1
Anglian Water	1,200	165	+5
Argos	4,100	227	+10
Argyll Group	3,200	227	+2
Ass. Brit. Foods	574	402	+3
BAA	901	412	+5
BAT Inds.	1,700	724	+13
BET	2,600	243	+5
BICC	987	441	+7
BOC	1,000	580	+16
BPB Inds.	2,100	239	+9
BTR	3,700	436	+6
Barclays	3,200	397	+10
Bass	849	1071	+18
Beazer	818	133	−1
Berisford Int.	331	139	+3
Blue Circle	4,700	248	−2
Boots	2,100	285	+7
Brit. Aerospace	2,500	546	+7
British Airways	1,800	265	+3
British Gas	7,400	220½	+4
British Land	252	346	+7
BP	8,600	328	+6
British Steel	5,300	147	+½
British Telecom	8,600	285	+6
Bunzl	617	89	+3
Burmah Oil	286	635	+2
Burton	349	186	+6
Cable & Wire.	2,500	544	+11
Cadburys	2,400	344	−9
Chlor Group	151	285	−7
Carlton Comms.	385	535	+16
Coats Viyella	478	122	
Comm. Union	880	485	+11
Cookson	1,200	213	+3
Courtaulds	1,000	345	+14
Dalgety	375	351	+1
Dixons	4,100	134	+8
ECC Group	228	383	+2
Enterprise Oil	1,780	629	+4
FKI	6,300	75	+3
Ferranti	2,200	39½	+2½
Fisons	1,300	367	+4
Gen. Accident	189	1101	+23
General Elect.	6,000	212	+6
Glaxo	8,600	797	+15
Globe Inv.	2,200	183½	+2½
Glynwed Int.	2,800	328	−2
Granada	248	253	+6
Grand Met.	6,000	619	+13
GUS A	456	1090	+55
GRE	1,500	243	+11
GKN	1,400	383	+2
Guinness	6,300	742	+18
Hammerson "A"	9	711	+6
Hanson	13,000	240½	+7
Hanson Warrants	2,200	59	+1½
Harrisons Crosfield	482	180	+1
Hawker Sidd.	428	668	+3
Hillsdown	1,800	285	+5
IMI	280	240	+5
ICI	1,400	1204	+30
Inchcape	985	278	+7
Kingfisher	2,800	328	+16
Ladbroke	3,800	378	+6
Land Securities	991	526	+7
Laporte	196	549	+10
Legal & General	774	401	+8
Lloyds Abbey	4,000	325	+6
Lloyds Bank	2,000	288	+17
LASMO	563	483	+12
Lonrho	2,500	253	+6
Lucas	1,400	680	
MB Group	611	218	+1
MEPC	289	497	+10
Manpower	606	77½	+½
Marks & Spencer	4,600	223	+5
Maxwell Comm.	1,900	200	+5
Mecca Leisure	1,800	84	−2
Midland Bank	3,400	289	+4
NatWest Bank	4,400	349	+15
Next	669	70	+3
North West Water	1,800	159½	+3
Northern Foods	274	236	
Northumbrian Water	83	174	+5
Pearson	378	735	+21
P & O	1,000	624	+14
Pilkington	3,500	200	+5
Polly Peck Intl.	5,300	425	+6
Prudential	7,300	222	+6
RHM	528	380	+3
RMC	504	696	+19
RTZ	2,000	570	+20
Racal	17,000	217	
Racal Telecom	615	391	+18
Rank Org.	820	619	+10
Reckitt & Colman	325	1261	+38
Redland	1,700	596	+6
Reed Intl.	743	440	+9
Reuters	1,700	1203	+32
Rolls Royce	12,000	217	+5
Rothmans	96	669	+4
Ryl Bk Scotland	1,100	170	+4
Royal Insurance	1,300	476	+18
STC	3,300	268	−1
Saatchi	1,200	96	−1
Sainsbury	3,500	286	+6
Scottish & New.	3,400	329	+6
Sears	2,600	96	+3
Sedgwick	412	260	+5
Severn Trent Water	1,300	127	+1½
Shell Transport	6,100	469	+10
Siebe	3,600	489	+14
Slough Ests	799	290	+1
Smith (W.H.) A	391	341	+9
Smith & Nephew	3,700	115	+2½
SmKl Beecham	1,500	539	+21
SmKl Beecham Units	101	2485	+80
Smiths Inds.	504	265	+5
South West Water	567	171	+6
Southern Water	905	137	+4
Standard Chartd.	467	470	+10
Storehouse	1,500	115	+1
Sun Alliance	1,200	320	+8
Sun Life	79	1213	+8
T&N	618	184	+5
TI Group	764	486	+9
TSB	4,000	143	+3
Tarmac	8,500	261	+7
Tate & Lyle	922	304	+9
Taylor Woodrow	907	273	+6
Tesco	4,800	234	+9
Thames Water	785	147	+2½
THORN EMI	854	724	+1
Trafalgar House	2,300	330	+9
Trusthouse Forte	2,800	284	+1½
Ultramar	2,400	342	−7
Unigate	216	300	+2
Unilever	3,300	679	+6
United Biscuits	1,000	349	+4
Utd. Newspapers	468	338	+4
Water Package Uts.	2	£1553	+38
Wellcome	486	865	+8
Welsh Water	285	171	+8
Wessex Water	949	168	+7
Whitbread "A"	1,100	429	+7
Williams Hldgs.	700	290	+7
Willis Faber	1,400	289	+4
Wimpey	1,200	246	+7
Yorkshire Water	302	164	+2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

New chief at Scottish Amicable

■ Mr Bill Proudfoot, chief executive of the SCOTTISH AMICABLE, is to retire on June 30. He will be succeeded by his deputy, Mr Roy Nicholson *(pictured)*, who is appointed managing director.

A new executive committee has been formed, comprising the managing director together with Mr Maurice Paterson, deputy managing director with responsibility for sales and service; Mr Graeme Knox, managing director of Scottish Amicable Investment Managers; Mr Raymond Anderson, director and general manager (actuarial) who remains the company actuary; Mr Jim Mitchell, general manager (corporate services) and secretary and Mr James Crosby, general manager (marketing and finance).

■ TI GROUP has appointed Mr Nicholas Moore as group treasurer from July 2 in succession to Mr John Hawkins. He was previously group treasurer of Tootal Group. Mr Neil R. Parkin has become UK treasury manager. He was formerly deputy treasurer at Redland.

■ Mr Peter Walker, MP, is joining N.M. ROTHSCHILD & SONS (WALES) on June 1 as a director. He has also joined the board of central heating specialists Worcester Group.

■ At SUPERDRUG Mr Brian G. Muirhead has joined the main board as finance director. He was previously a manager at Bain and Company where he had responsibility for several accounts in the retailing, information services, food and home fashion sectors.

■ Mr John Cuming has been appointed director of sales and marketing at PLESSEY-TELENET. He joined the company in 1988 as the British Telecom account director.

■ The ENGINEERING COUNCIL has appointed two directors. Professor Keith Foster, head of the Department of Mechanical Engineering at the University of Birmingham, has been appointed as director-engineering profession. He succeeds Professor Jack Levy who is retiring.

Mr Perry Goodman, head of the electrical engineering branch of the Department of Trade and Industry, has been made director-industry and regions.

■ Mr Jim W. Nokes *(pictured)* has become a director and general manager, business development, CONOCO (U.K.). He moves to London from Houston where he was previously general manager, transportation operations, supply and transportation, Conoco Inc. He replaces Dr George E. Watkins who has been transferred to Conoco's petroleum headquarters in Houston and has been appointed general manager exploration, Southern Europe, East Africa, Middle East, Far East and Latin America, worldwide exploration.

■ CARRINGTON VIYELLA FABRICS has appointed Mr Jack Duerden sales, marketing and design director responsible for supplies to Marks and Spencer. Mr Martin Garnett joins the company as sales, marketing and design director of a parallel team servicing other UK/European customers of men's, ladies' and childrenswear fabrics.

■ CHANCER ESTATES GROUP has appointed Mr Tony Vice as a non-executive director. He is a director of N.M. Rothschild & Sons.

■ PILGRIM SYSTEMS, specialists in computer systems for the legal profession, has appointed Mr Nick Murray as product development director and Mr Ronnie Paton as sales and marketing director. Mr Murray was project manager and Mr Paton business manager, Scotland.

■ Mr Alan Chaney has been appointed head of NATWEST ESTATE MANAGEMENT AND DEVELOPMENT, a wholly-owned subsidiary of National Westminster Bank. He was previously a director of Barclays de Zoete Wedd Property Investment Management.

■ BERKELEY ST. JAMES, the Westminster-based financial services company, has appointed Ms Christine Mayne as the director in charge of the company's personal tax division.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	225	+1	44c	1.4	9.1	7.8
201	172	Abbey National 10p	201	+5	5.7	4.3	3.8	8.2
*274	210	Allied Irish Ord	228	+7	Q40%	♦	4.1	♦
£13½	£11	Algemene Fl.10	£11		Q28%	2.1	7.6	6.0
85	73	Anglo Irish	75			2.7	5.9	10.2
81	66	Ansbacher (H.) 1p	76		2.5	1.3	4.4	21.9
£71¼	£54¼	Bancaire Cie Fr100	£46	-½		–	2.1	–
£22½	£16½	Banco Bilbao Vlz	£19		Q49.1%	2.7	4.4	12.3
£31	£24½	Banco de Santander	£27		Q25%	2.4	4.1	10.1
286	224	Bank Ireland IrE1	249	+5	Q14.3%	♦	5.4	♦
£19½	£18	Bank Leumi	£19½			–	–	–
350	320	Bank Leumi (U.K.)	345		†13.5	–	5.2	–
125	104	Bank Scotland	117½	+1½	4.55	3.3	5.2	7.8
100½	83½	Do. 9¼pc Irrd Pf	92½	+½	9¼%	–	13.3	–
54	39	Bank of Wales	42		2.8	0.8	8.9	(20.2)
428	352	Barclays £1	397	+10	h19.57	3.5	6.6	5.5
22	13	Benchmark 20p	14		1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	323		†10.5	–	4.3	–
455	361	Cater Allen £1	405	+2	23.5	–	7.7	–
179	134	Chancery	134	–5	18.0	2.8	8.0	5.9
£23¼	£19½	Commerzbk DM10	£19½		Q18%	–	3.4	–
£13½	842	Dai Ichi KBk Y50	935	–7	Q17%	♦	0.4	♦
*£313	£262¼	Deutsche Bk DM50	£271	–4	Q28%	–	1.8	–
£20½	£19	Espirito Santo	£19½	+¼	Q75c	♦	2.3	♦
253	183	First Nat. Fin. 10p	210		13.0	2.4	8.0	6.7
121	96	FNFC 6.3pc Cv. Pf	111	+1	6.3%	–	7.6	–
262	159	Fuji Bank Y50	194		Q17%	♦	1.0	♦
325	262	Gerrard & National	282	+2	19.0	♦	9.0	♦
154	135	Guinness Mahon 10p	135	–1	2.1	–	2.1	–
328	223	Hambros 20p	266	+2	†10.0	–	5.0	–
128	93	Do. 7.5pc Cv Pf	106		7½%	–	9.4	–
53½	43	HK & Shang. HK$2.50	43½		h038c	–	6.6	–
478	458	Joseph (Leo) £1	458		15.65	–	4.6	–
146	126	King & Shaxson 20p	146	–1	10.25	♦	9.4	♦
422	340	Kleinwort Benson Grp	393	+4	16.0	2.5	5.4	10.0
642	402	Kyowa Bank Y50	499	–1	Q14%	♦	0.6	♦
307½	242	Lloyds £1	289	+17	13.3	2.6	6.1	6.8
56	44	Lon. Scot. Bank 10p	49		2.4	1.8	6.5	10.3

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

حكمة من الأصل

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible] ... dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	430	.....
Finlay Pkg. 5p	53	.....
Holt (Jos) 25p	1290	.....

IRISH

Cap. 8½% Ln. 1991	£98¼	+⅛
9pc Cap Ln. 1996	£94¾	+¼
Fin. 13% 97/02	£112¼	+¼
Arnotts	415	.....
Carroll (P.J.)	147	.....
Nall (R & H)	175	.....
Heiton Hldgs.	75	.....
IRG	200	.....
United Drug	160	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials

	p
Allied-Lyons	30
Amstrad	5½
Astec (BSR)	5¾
BAT	83
BOC Grp.	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons.	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds.	52
Marks & Spencer	17
Midland Bk.	27
Nat West Bk.	29
P & O Dfd	50
Polly Peck	37
Racal Elect.	19
RHM	35
Rank Org Ord.	60
Reed Intnl.	33
STC	20
Sears	9½
SmKl Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petlm.	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm.	12
Gaelic Res.	4½
Premier	10
Shell	37
Tuskar Res.	10
Ultramar	31

Mines

Lonrho	20
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	50.98	51.91	54.79	-0.34	5.00
Gilts & Fixed Int	6	105.2	105.2	111.5	+0.7	9.27
High Inc Equity	6	132.7	136.3xd	144.9	+2.5	4.38
Worldwide Bond	6	189.6	189.6xd	200.9	+0.2	6.42
Capital Growth						
American Growth	6	190.3	192.1	204.1	+1.1	1.14
Asian Pacific	6	139.8	143.8	151.9		0.00
Assets & Earnings	6	154.2	154.2	164.9	+2.4	2.90
Capital Reserve Acc	0	92.11	92.11	92.24	+0.17	6.50
Capital Reserve Inc	0	77.42	77.42	77.52	+0.14	7.74
Commodity & Energy	6	96.30	96.30	102.9	+0.3	0.00
Dividend & Growth	6	47.47	48.55	51.64	+0.25	4.56
1992 Enterprise	6	62.11	63.42	67.46	+0.63	1.90
Euro Capital Acc	6	104.2	104.2	111.4		0.85
Euro Capital Inc	6	100.1	100.1xd	107.0		0.88
General	6	173.2	173.2	185.2	+2.9	2.70
International	6	60.79	61.60	65.53	+0.26	0.76
Japan	6	102.2	102.2	109.3	-0.3	0.00
Clarkertrust	6	90.15	90.15	96.41	+0.34	1.54
UK Growth Acc	6	172.7	172.7	184.7	+2.1	1.75
UK Growth Dist	6	112.8	112.8xd	120.6	+1.3	2.69
US Emerging Cos	6	59.52	59.52	63.65	+0.33	0.00
Income & Growth	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ethical	6	47.50	47.50	50.80	+0.48	1.97

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	5¼	32.42	32.54xd	34.73	-0.18	2.20
European	5¼	92.91	93.04	99.32	-0.85	0.00
European Income	5¼	88.55	88.55xd	94.40	-0.40	1.43
Exempt	1	756.40	756.4xd	781.1	+12.6	1.26
Exempt Income	3¼	175.9	175.9	186.5	[illegible]	[illegible]
Exempt American	3¼	387.0	387.0xd	405.3	+3.3	1.44
Exempt Pacific	3¼	[illegible]	[illegible]	[illegible]	+1.40	0.00
Extra Income	5¼	42.53	42.53	45.42	+0.70	5.59
F East Exmt Eqt	5¼	64.57	64.96	69.57	-0.32	0.00
Fund Inv Tst	5	127.8	131.9	140.8	[illegible]	[illegible]
Do Accum	5	201.8	208.4xd	222.5	+1.9	1.34
Gilt & Fixed Int	5¼	16.66	17.04	18.19	-0.02	13.40
[illegible]	5¼	68.36	68.36xd	72.97	+0.99	3.67
Intl Income	5¼	63.56	63.56xd	67.85	+0.14	4.31
Japan	5¼	178.3	178.3	190.4	-0.40	0.00
Pacific	5¼	44.07	44.19xd	47.33	-0.14	0.00
Europe Income	5	183.1	183.1xd	195.4	[illegible]	[illegible]
Smaller Companies	5¼	49.65	49.65	53.00	+0.32	1.91
[illegible]	5¼	62.69	62.69xd	66.92	+0.67	0.64
UK Growth	5¼	36.46	37.01xd	39.51	+1.16	1.69
World Growth	5¼	54.98	54.98xd	58.69	-0.27	0.00

Acorn Unit Trust Managers Ltd (1100)F
1 White Hart Yd, London Bridge SE1 1NX 071-407 5966

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Ethical Tst	5	101.3	105.3	110.9	+0.4	2.76
Do Accum	5	101.3	107.4	113.1	+0.4	2.76

GUIDE TO UNIT TRUST PRICING

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Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Thornton Unit Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Barclays Life Assur. Co Ltd—Contd.

Clerical Medical Investments Group—Contd.

Clerical Medical Managed Funds Ltd

Friends Provident

Henderson Administration(z)

Legal & General—Contd.

Merchant Investors Assurance Co Ltd—Contd.

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	66.9	70.5	+0.7	-
Stock Market Mngt Fund	65.9	69.4	+0.7	-
Equity Fund	70.3	74.0	+1.1	-
International Fund	63.0	66.3	....	-
European Fund	74.8	78.7	-0.4	-
North American Fund	60.8	64.0	+0.2	-
Pacific Fund	67.7	71.3	+1.1	-
Property Fund	87.3	91.9	+0.1	-
Fixed Interest Fund	50.2	52.9	+0.4	-
Index linked Sec Fund	57.6	60.7	+0.2	-
Deposit Fund	63.0	66.4	....	-
NUAM Retirement Plans				
Mixed Fund	72.4	76.2	+0.7	-
UK Ordinary Share Fd	81.5	85.8	+1.6	-
International Fund	66.6	70.1	-0.1	-
Property Fund	85.0	89.5	....	-
Fixed Interest Fund	59.1	62.2	+0.5	-
Index Linked Sec Fund	60.6	63.7	+0.2	-
Deposit Fund	72.0	75.8	....	-
NUAM (MP)				
Managed Fund	942.7	992.4	+9.2	-
Equity Fund	1922.5	2023.7	+32.9	-
International Fund	166.1	174.9	-0.1	-
Property Fund	551.6	580.7	+0.1	-
Fixed Interest Fund	376.2	396.0	+3.2	-
Index Linked Sec Fund	58.6	61.7	+0.2	-
Deposit Fund	258.9	272.6	+0.1	-

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	101.45	106.79	+0.03	-
Managed Fd	92.88	97.77	+0.79	-
UK Ord Share Fd	93.93	98.88	+1.70	-
International Fd	93.56	98.48	-0.10	-
European Fd	106.90	112.53	-0.61	-
North American Fd	92.54	97.41	+0.26	-
Pacific Fd	86.18	90.71	+1.73	-
Property Fd	100.17	105.44	+0.01	-
Fixed Int Fd	91.15	95.95	+0.61	-
Intl Bond Fd	90.47	95.23	-0.51	-
Deposit Fd	101.93	107.30	+0.02	-
Unitised Pensions				
With Profits Fd	132.13	139.08	+0.05	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund (Mixed)	1050.6	1103.1	+7.9	-
Equity Fund	244.0	256.2	+3.0	-
International Fd	160.6	168.6	+0.6	-
Fixed Interest Fd	150.1	157.6	+0.1	-
Property Fund	225.7	237.0		-
Index-Linked Fund	143.8	151.0	-0.5	-
Deposit Fund	149.4	156.9		-
Pens Mixed (Ord) Fd	252.3	264.9	+2.1	-
Gold Pensions				
Discretionary Fund		122.8	+0.9	-
Equity Fund		124.4	+1.7	-
Fixed Interest Fund		108.8		-
International Fund		122.4	+0.5	-
Property Fund		137.4		-
Index-Linked Fund		120.3	-0.4	-
Deposit Fund		126.1		-
S & F Consolidation		114.0	-0.3	-
S & F Balanced		129.3	+1.4	-
S & F Maximum Growth		106.8	+2.2	-

Provident Mutual Life Assc. Assn.
William Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	334.1	351.7	+2.6	-
Managed Init	260.7	274.4	+2.1	-
Equity Ord	474.1	499.1	+7.1	-
Equity Init	369.9	389.4	+5.6	-
Index Linked Gilt Ord	143.3	150.8	+0.1	-
Index Linked Gilt Init	116.8	122.9	+0.1	-
Overseas Equity Ord	299.8	315.6	+0.3	-
Overseas Equity Init	233.9	246.2	+0.2	-
Property Ord	221.2	232.8	+0.1	-
Property Init	172.5	181.6		-
Fixed Interest Ord	172.5	181.6	+2	-
Fixed Interest Init	134.6	141.7	+1.6	-
Deposit Ord	157.0	165.3	+0.1	-
Deposit Init	122.5	128.9		-
Pension Funds				
Managed Ord	418.8	440.8	+4	-
Managed Init	326.8	344.0	+3.2	-
Equity Ord	614.4	646.7	+11.4	-
Equity Init	479.3	504.5	+8.8	-
Pen Ind Lkd Gilt Ord	158.3	166.6	+0.1	-
Pen Ind Lkd Gilt Init	129.0	135.8	+0.1	-
Overseas Equity Ord	345.3	363.5	+0.6	-
Overseas Equity Init	269.4	283.6	+0.4	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED**)

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90-10 Trust (Global)				
Dollar Fd BDPUPs	$10.22	10.29	----	-
Dollar Fd DPUPs	$11.10	11.27	----	-
Sterling Fd BDPUPs	£10.21	10.22	----	-
Sterling Fd DPUPs	£11.91	11.99	----	-
DM Fd BDPUPs	DM10.21	10.07	----	-
DM Fd DPUPs	DM10.56	10.65	----	-
Yen Fd BDPUPs	$7.70	7.71	----	-
Yen Fd DPUPs	$10.90	10.97	----	-
Wardley Investment Services Ltd				
Wardley SE Asia Fd	$13.13	13.93	-0.09	0.79
Jardine Warrants	[illegible]	[illegible]	[illegible]	-
Asian Warrants	$9.90	10.47	[illegible]	-
European Warrants	$10.06	10.66	[illegible]	-
Wells Fargo U.S. IT Fund				
NAV May 29		$9.90	----	-
World Bond Fund—SICAV				
World Bond Fund	$19.92	20.93	-0.05	0.96
Inv Adv Warburg Asset Mngt London				
World Capital Gwth Fd—SICAV				
World Capital Gwth Fund	$13.04	13.73	+0.14	0.74
Inv Adv Warburg Asset Mngt London				
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0031	----	-
Xiphias Int ECU		Ecu1.3087	----	-

Money Market Trust Funds

	Gross	Net	Cr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fd	15.01	-	15.88	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	14.95	-	15.81	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX			071-236 1425	
Call Fund	14.41	11.24	15.41	6-Mth
7-day Fund	14.56	11.36	15.57	6-Mth
Special Fund	14.92	-	16.38	1-Mth
Dollar	7.00	5.46	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Cr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road EC1Y 2AY			071-638 6070	
Treasury Acc	13.50	10.55	14.00	Qtr
[illegible]	13.50	10.54	14.75	Mth
[illegible]	14.00	10.92	15.31	Mth
[illegible]	14.50	11.31	15.08	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London EC4N 5AD			071-626 0879	
[illegible]	14.75	11.51	16.21	Mth
[illegible]	13.90	11.00	15.06	Mth
[illegible]	14.90	11.62	16.38	-
American Express Bank Ltd				
c/o American Express Financial Services Limited				
West Sussex RH15 9 [illegible] 0444 870066				
High Performance Cheque Account				
[illegible]	12.16	9.50	12.87	Mth
[illegible]	12.53	9.63	13.01	Mth
[illegible]	12.81	10.00	13.54	Mth
£25,000+	13.50	10.00	14.46	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			071-236 2020	
[illegible]	13.782	10.750	14.92	Qtr
£10,000+	14.103	11.000	15.33	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			071-601 6746	
[illegible]	13.4	10.45	14.25	Mth
£25,000+	13.65	10.64	14.91	Mth
Barclays Capital Advantage Account				

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

No early ERM hits pound

STERLING FINISHED towards the day's lows, but still firmer against full members of the European Monetary System, after failing to hold on to levels above $1.70 and DM2.85. This followed market disappointment that Mr John Major, the UK Chancellor, did not give a date for the pound's membership of the EMS Exchange Rate Mechanism.

The pound touched $1.7075 and DM2.8575 on hopes that Mr Major, speaking in Paris at the Organisation for Economic Co-operation and Development, would announce a date for ERM entry. But he made it clear that Britain has not altered its position that sterling will only become a full EMS member when the terms laid down at last year's Madrid summit have been met. These include a significant reduction in the UK inflation rate. He told the OECD that although there has been some progress in cooling demand, reducing inflation will take longer.

Analysts pointed out that UK inflation is not expected to peak until August, and that this data will not be released until September, meaning that an announcement on the ERM is unlikely before the latter part of this year at the earliest. As Mr Major dampened hopes of early British ERM membership, sterling began to slide. It closed in London 30 points lower against the dollar at $1.6920, but rose to DM2.8450 from DM2.8350; to FFr9.5925 from FFr9.5475; to SFr2.4025 from SFr2.3900; and to Y256.00 from Y255.75. The pound's index rose 0.5 to 89.4.

The dollar benefitted from sterling's late decline, finishing in London towards the top of fairly narrow ranges against most major currencies. A fall of 0.2 per cent in April US leading indicators was in line with market expectations and had no impact. The dollar rose to DM1.6815 from DM1.6720; to Y151.30 from Y150.90; to SFr1.4205 from SFr1.4095; and to FFr5.6700 from FFr5.6325. The dollar's index climbed 0.1 to 67.3.

Among members of the EMS the D-Mark was slightly firmer, underpinned by comments from Mr Hans Tietmeyer, a Bundesbank director. He said there is no fundamental reason to raise West German interest rates - the Bundesbank council meets today and is not expected to change its monetary policy - but added that the central bank would make sure the D-Mark remained strong. At the close the D-Mark had improved to L735.65 from L734.75 against the Italian lira and to FFR3.3720 from FFr3.3685 in terms of the French franc.

The lira continued to hover around its maximum limit against the weakest placed French franc within the EMS. There was no sign of Bank of France intervention as the lira was fixed almost at its ceiling against the franc in Paris. On the other hand the Bank of Italy bought FFr165m when the franc was fixed at its floor of L218.13 in Milan. The Italian central bank also bought DM205m and Ecu24m to limit the lira's advance.

£ IN NEW YORK

May.30	Latest	Previous Close
£ Spot	1.6930-1.6940	1.6935-1.6945
1 month	0.97-0.96pm	0.91-0.89pm
3 months	2.83-2.81pm	2.76-2.74pm
12 months	9.17-9.13pm	9.20-9.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.30	Previous
8.30 am	89.5	88.9
9.00 am	89.5	89.0
10.00 am	89.5	88.9
11.00 am	89.6	89.0
Noon	89.7	89.0
1.00 pm	89.6	89.0
2.00 pm	89.6	88.9
3.00 pm	89.6	88.9
4.00 pm	89.4	88.9

CURRENCY RATES

May.30	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.780186	0.720115
U.S Dollar	7	1.32062	1.22758
Canadian $	13.32	1.56081	1.44768
Austrian Sch.	6½	15.5345	14.4584
Belgian Franc	10¼	45.4491	42.2748
Danish Krone	10½	8.41235	7.83012
Deutsche Mark	6.00	2.20781	2.05472
Neth. Guilder	7.00	2.48607	2.31362
French Franc	10¼	7.43971	6.92478
Italian Lira	13½	1624.20	1510.78
Japanese Yen	5¼	197.235	[illegible]
Norway Krone	8	8.50875	7.90929
Spanish Peseta	-	137.754	127.484
Swedish Krona	11	8.01220	7.44404
Swiss Franc	6.00	1.86472	1.72782
Greek Drach.	20½	N/A	201.691
Irish Punt	-	N/A	0.766998

† European Commission Calculations.
* All SDR rates are for May.29

CURRENCY MOVEMENTS

May.30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.4	-22.6
U.S Dollar	67.3	-10.9
Canadian Dollar	103.1	0.0
Austrian Schilling	109.4	+11.5
Belgian Franc	111.3	-2.2
Danish Krone	110.3	+4.9
Deutsche Mark	118.2	+24.2
Swiss Franc	114.6	+23.1
Guilder	114.3	+16.1
French Franc	104.0	-12.6
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May.29

OTHER CURRENCIES

May.30	£	$
Argentina	3005.00-3050.00	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	1197.70-1216.95	709.70-715.30
Kuwait	0.49510-0.49620	0.29080-0.29130
Luxembourg	58.40-58.50	34.50-34.60
Malaysia	4.5815-4.5920	2.6985-2.7005
Mexico	4806.20-4810.75	2833.00-2843.00
N. Zealand	2.9510-2.9555	1.7355-1.7380
Saudi Ar.	6.3840-6.3900	3.7500-3.7510
Singapore	3.1355-3.1425	1.8465-1.8485
S. Af (Cm)	4.5025-4.5140	2.6525-2.6540
S. Af (Fn)	6.5325-6.6605	3.8460-3.9215
Taiwan	46.60-46.70	27.45-27.50
U.A.E.	6.2505-6.2580	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

May 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-14 13/16	15⅛-14 13/16	15⅛-15	15⅛-15	15⅜-15¼	15⅛-14 13/16
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8½
Can. Dollar	13¾-13⅝	13¾-13⅝	13¾-13⅝	13¾-13⅝	13¾-13⅝	13⅝-13½
D. Guilder	8⅛-7¾	8⅛-7¾	8⅛-7 15/16	8⅛-8	8⅜-8¼	8⅝-8½
Sw. Franc	9-8½	8⅞-8½	8 15/16-8¾	8 15/16-8⅞	8⅞-8¾	8⅞-8¾
Deutschmark	7 13/16-7 11/16	7 13/16-7 11/16	8-7⅞	8¼-8⅛	8½-8⅜	8 13/16-8¾
Fr. Franc	9 11/16-9 9/16	9 11/16-9 9/16	9 11/16-9 9/16	9¾-9⅝	10-9⅞	10⅛-10
Italian Lira	13-11	10½-9½	11½-11	11½-11¼	11¾-11½	12⅛-11⅞
Belgian Franc	10½-10¼	10-9¾	9⅞-9¾	10-9⅞	10⅛-10	10⅜-10¼
Yen	7¼-7⅛	7¼-7⅛	7⅛-7¼	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛
D. Krone	10¼-10⅛	10⅜-10¼	10⅜-10¼	10⅝-10½	10⅝-10½	10⅝-10½
Asian $Sing	8¼-8	8¼-8⅛	8¼-8⅛	8⅜-8⅛	8½-8⅜	8⅝-8½

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9⅜-9¼ per cent; four years 9⅜-9¼ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

May.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6900-1.7075	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.32-5.27pm 12 month 9.26-9.16pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6900-1.7075	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	7.79845	[illegible]	[illegible]	[illegible]	[illegible]
German D-Mark	2.05586	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6.85684	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	2.31643	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	0.763159	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	1529.70	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	132.889	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May.30	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.042	1.764	2.966	266.9	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.416	0.704	1.184	106.5	3.992	1	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.312	0.528	0.888	79.88	2.993	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.478	0.808	1.359	122.3	4.583	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.500	0.846	1.423	128.1	4.799	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.711	2.895	4.867	438.0	16.41	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE BUND FUTURES OPTIONS

[illegible]

LIFFE EUROMARK OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BONDS [illegible]

6% NOTIONAL GERMAN GOVT. BOND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

THREE-MONTH EUROMARK [illegible]

THREE MONTH ECU [illegible]

FT-SE 100 INDEX [illegible]

POUND-$ (FOREIGN EXCHANGE) [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF) [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
June	90.14	90.11	-0.01	90.14	90.10	9.89	11,254
September	90.10	90.07	-	90.11	90.06	9.93	8,935
December	90.03	90.03	+0.03	90.03	90.02	9.98	2,607
March	-	-	-	-	-	10.00	174

Estimated volume 3,566 Total Open Interest 22,970

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
May	2145.0	2114.0	-12.0	2145.0	2115.5	2,200
June	2148.0	2116.0	-15.0	2150.0	2116.0	3,532
July	2140.0	2144.0	+13.0	2144.0	2140.0	546
September	-	-	-	-	-	10

Estimated volume 7,153 Total Open Interest 6,283

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Guarantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptrs	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank Plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Short sterling up

SHORT STERLING futures finished firmer on the Liffe market yesterday, but well below the day's peak. The September contract opened higher at 85.37, and touched a high of 85.44 during the morning, on speculation that Mr John Major, the UK Chancellor, would have encouraging news about possible full British membership of the EMS. He spoke to a meeting of the OECD in Paris, but said there had been no change in the Government's conditions of entry. Short sterling then fell back to close at 85.34, compared with 85.31 previously.

UK clearing bank base lending rate 15 per cent from October 5

Interest rates showed little change in London. Three-month interbank was unchanged at 15⅛-15 1/16 per cent, and 12-month money was quoted at 15-14 15/16 per cent against 15 1/16-14 15/16.

Credit was in very short supply on the money market. The Bank of England forecast a day-to-day shortage of £1,150m, and provided total assistance of £968m.

An early round of help was offered and at that time the authorities bought £43m bills, by way of £28m bank bills outright in band 2 at 14¾ per cent and £15m bills for resale to the market on June 11, at a rate of 14 31/32 per cent.

Before lunch another £149m bills were purchased outright, via £104m bank bills in band 1 at 14⅞ per cent and £45m bank bills in band 2 at 14¾ per cent. In the afternoon the Bank of England bought £421m bills outright, through £1m Treasury bills in band 1 at 14⅞ per cent; £240m bank bills in band 1 at 14⅞ per cent; £25m Treasury bills in band 2 at 14¾ per cent; and £155m bank bills in band 2 at 14¾ per cent. Late assistance of around £355m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,325m, with a rise in the note circulation absorbing £10m, and bank balances below target £25m. These outweighed Exchequer transactions adding £210m to liquidity.

In Frankfurt call money was unchanged at 7.75 per cent. Liquidity appeared to be ample for banks to meet this month's minimum reserve requirement of DM59.1bn. Average reserve holdings for the first 28 days of May were DM59.3bn. Pension payments drained about DM8bn from the money market yesterday, but this was partly offset by money flowing into the banking system from public sector wages.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 30)	3 months US dollars		6 months US Dollars	
	bid 8¼	offer 8⅜	bid 8⅜	offer 8½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	10	One month	7.57
Broker loan rate	9¾	Two month	7.60
Fed.funds	8⅛	Three month	7.85
Fed.funds at intervention	8¼	Six month	8.12
		One year	8.24
		Two year	8.54
		Three year	8.59
		Five year	8.56
		10-year	8.66
		30-year	8.63

May.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

May 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 14½ per cent; three months 14½ per cent; Bank Bills (sell); one-month 14½ per cent; three months 14½ per cent; Treasury Bills: Average tender rate of discount 14.4592 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990. Agreed rates for period June 26, 1990 to July 24, 1990, Scheme I: 15.91 p.c. Schemes II & III: 16.44 p.c. Reference rate for period May 1, 1990 to May 31, 1990, Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent. Under £100,000 13½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,251 Set by GRIFFIN

ACROSS

1 On taking boy inside can't stop, perhaps (9)
6 Bill races one into room (5)
9 Regret taking work back for scoundrel (5)
10 Decoration for navy chaps caught in a spot (9)
11 Hospital visitor not allowed one in transparent cover (3-7)
12 In this place the refugee hides (4)
14 Character's lines in "Alice in Trouble" (7)
15 One who turns out to be first easy winner (7)
17 Country bar in Christmas setback (7)
19 African flier has a joker to follow (7)
20 Check American poster (4)
22 Consultant's case split open, I interposed (10)
25 Break tile under repair (9)
26 Last vest we will accept in string (5)
27 Bear wandering idly around backstage (5)
28 Send her in contraption held as sacred (9)

DOWN

1 Freight transporter needs work (5)
2 Strange thing by society entertainer (9)
3 Mysterious ban on named soloist (3-3,4)
4 A vicar's foolish note on greed (7)
5 Beat counter madly (7)
6 Pawnbroker's wife? (4)
7 During half term the girl's present (5)
8 The fat, retiring accountant's first church (9)
13 Telephone crack circus performer (10)
14 Famous person's speed round Beachy Head (9)
16 To drain it off needed practice (9)
18 Write uplifting music to God (7)
19 Delivery men always aim for these gates (7)
21 Left it to the man to be flexible (5)
23 Shoot back outside bearing stamp (5)
24 Raised plot to imprison ringleader (4)

Solution to Puzzle No.7,250

ACHATES COCKLES / TOURS XPARTICLE / PREDATORY TEMPI / YEAST TECHNICAL / SIDEWARDS CHEAT / GAVEL PROCESSOR / ELIMINATE HEDGE / TEARGAS SERVANT

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices May 30

INDICES

NEW YORK

DOW JONES	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2870.49	(c)	2820.92	2855.55	2870.49 (29/5)	2543.24 (30/1)	2870.49 (29/5/90)	41.22 (2/7/32)
Home Bonds	90.08	(c)	90.12	90.21	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1162.52	(c)	1152.74	1159.50	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.97	(c)	211.27	212.15	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2886.65 (-) Low 2812.62 (-)

STANDARD AND POOR'S	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	360.65	(c)	354.58	358.41	360.65 (29/5)	322.98 (30/1)	360.65 (29/5/90)	4.40 (1/6/32)
Industrials	421.31	(c)	413.63	418.45	421.31 (29/5)	371.92 (30/1)	421.31 (29/5/90)	3.62 (21/6/32)
Financial	29.77	(c)	29.46	29.74	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	196.57	(c)	193.71	195.47	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	362.56	(c)	359.84	360.76	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	457.52	(c)	453.69	458.29	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 25	May 18	May 11	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.99	3.93	3.38

	May 23	May 16	May 9	year ago (approx.)
S & P Industrial div. yield	2.94	2.98	3.07	3.21
S & P Ind. P/E ratio	16.08	15.49	15.20	12.86

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Varity	2,728,900	3⅛	+ ⅛
Royal Dutch	2,455,700	76⅞	+ 1⅛
Philip Morris	2,441,600	42⅛	—
Texas Util.	1,972,000	36⅛	—
IBM	1,959,900	119⅝	+ 3½
Fst Interstate	1,871,900	37⅞	—
Gen. Motors	1,399,900	49½	+ ⅛
Glaxo	1,284,900	27⅝	+ 1
Navistar	1,135,600	4⅝	+ ⅛
Gen. Electric	1,102,800	69⅝	+ 1⅛

TRADING ACTIVITY

† Volume Millions	May 29	May 28	May 25
New York	157.410	-	120.250
Amex	10.272	-	9.725
NASDAQ	134.000	-	152.158
Issues Traded	1,988	-	1,982
Rises	1,107	-	534
Falls	427	-	944
Unchanged	454	-	503
New Highs	51	-	24
New Lows	31	-	32

CANADA

TORONTO	May 29	May 28	May 25	May 24	1990 HIGH	1990 LOW
Metals & Minerals	3125.30	3070.50	3062.00	3067.00	3453.05 (4/1)	2850.80 (23/4)
Composite	3524.20†	3498.70	3494.70	3510.60	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1817.56	1798.73	1795.98	1804.22	2060.90 (3/1)	1720.28 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. † Correction.

	May 30	May 29	May 28	May 25	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1499.5	1495.0	1485.2	1479.6	1717.7 (2/1)	1434.5 (31/4)
All Mining (1/1/80)	741.2	740.1	734.3	731.3	862.9 (2/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	583.59	582.97	577.98	574.07	735.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	(u)	6209.49	6178.85	(c)	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	375.29	374.89	375.18	374.62	382.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	578.3	573.7	571.4	575.3	677.3 (2/1)	562.2 (15/5)
FRANCE						
CAC General (31/12/82)	564.62	560.07	559.00	562.94	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2120.88	2123.09	2114.39	2111.90	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	781.17	783.99	772.66	774.78	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2262.6	2271.9	2237.1	2242.8	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1940.54	1942.74	1828.96	1823.17	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3083.35	3048.55	(c)	3059.50	3083.35 (30/5)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1682.95	1657.73	(c)	1646.87	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	746.16	739.18	736.59	738.88	746.16 (30/5)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32926.26	32817.67	33191.61	32793.88	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2417.09	2411.66	2434.05	2419.94	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3902.32	3886.37	3864.38	3892.85	4294.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	582.26	581.80	586.04	586.51	622.20 (20/2)	518.55 (2/5)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	267.6	265.7	264.5	264.8	269.0 (3/1)	248.1 (26/2)
CBS All Shr (End 1983)	199.4	198.2	197.3	197.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	866.85	849.03	845.62	851.75	857.21 (22/5)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	798.15	860.72	881.23	903.61	1160.70 (22/3)	798.15 (30/5)
SINGAPORE						
SES All-Singapore (2/4/75)	435.52	435.86	436.61	437.39	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1635.08	1669.0	1641.0	1630.0	2230.0 (16/1)	1629.0 (23/5)
JSE Industrial (28/9/78)	2943.06	2930.0	2914.0	2916.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	789.69	783.07	778.23	790.73	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	283.76	281.41	280.61	281.41	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1266.50	1262.90a	1272.40	1262.00	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	814.6	805.3	794.4	794.3	814.6 (30/5)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	6857.0	6703.06	(c)	6146.44	12495.34 (10/2)	6146.44 (25/5)
THAILAND						
Bangkok SET (30/4/75)	987.31	975.50	983.07	976.83	987.31 (30/5)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	524.3	523.1	522.2	571.0 (4/1)	468.3 (2/4)

**Saturday May 26: Taiwan Weighted Price: 6303.75. Korea Comp Ex. 783.74

a Subject to official recalculation. † Correction.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday May 30 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sanyo Elec	36.3m	1,010	+24	Ebara	17.0m	2,200	+80
Mitsui Eng&Shp	22.8m	1,030	+10	Shimuzu Corp	16.9m	2,150	+80
NKK	21.1m	690	-1	Toshiba	13.8m	1,090	+10
MHI	18.2m	1,050	+20	Nippon Mining	13.7m	1,070	+60
Chiyoda Corp	18.3m	2,580	+150	Ohbayashi Corp	13.4m	1,740	+30

3pm prices May 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¾	AAR	.48	2.2	13	905	21⅝	21⅜	21⅝	– ⅛
9⅜	8	ACM n	1.01	11.		348	8⅞	8⅝	8⅞	+ ¼
11⅝	9½	ACMIn	1.26	13.		415	10	9⅞	9⅞	
9⅞	7¼	ACM M	n1.01	13.		379	8	7¾	7⅞	+ ⅛
12⅛	10	ACMMM				145	10¼	10⅛	10¼	
11½	9⅝	ACM Sc	1.26	13.		1171	9⅞	9⅝	9⅝	– ⅛
9⅞	8¼	ACMSp	1.01	12.		509	8⅜	8¼	8¼	
23½	14⅝	AL Lab	.16	.7	20	226	u23¼	22¾	22¾	– ½
4⅛	3	AMCA	.25e	6.4	9	10	3⅞	3⅞	3⅞	
5⅞	2⅛	AM Intl				762	2⅜	2¼	2⅜	
23⅛	10¼	AM In pf	2	16.		120	12½	12	12½	+ ⅛
107⅛	52½	AMR			12	2253	65¼	64⅝	65	+ ½
24⅝	22⅞	ANR pf	2.12	8.8		10	24	24	24	+ 1
4¼	3	ARX				10	3½	3½	3½	
72¼	39½	ASA	3a	6.2		1010	49⅝	48	48⅛	– 1⅜
74⅝	55¼	AbtLab	1.68	2.3	19	4038	u74⅞	74⅛	74⅛	– ¼
37½	27⅝	AbtLb wi				47	37½	37⅜	37⅜	
16¼	11¼	Abitibi g	.50			62	13¼	13	13⅛	+ ⅛
13	8¼	AcmeC	.40	4.4	11	54	9¼	9	9	– ¼
9¾	7⅝	AcmeE	.32	3.6	11	56	9	9	9	– ⅛
41⅞	28⅝	Acusn			24	572	40¾	40⅛	40⅜	– ⅜
16½	13¼	AdaEx	2.05e	13.		181	16¼	16	16⅛	+ ⅛
15⅛	9¼	Adobe				50	12	11⅞	11⅞	
20¼	17⅝	Adob pf	1.84	9.7		38	19	19	19	
21⅝	20⅛	Adob pf	2.40	11.		6	21⅛	20⅞	21⅛	+ ⅛
11¼	6⅞	AMD			23	7400	u11⅜	10⅞	10⅞	– ⅛
35	28¾	AMD pf	3	9.4		9	31⅞	31⅝	31⅞	+ ⅝
10⅛	4⅛	Advest	.16	3.5	58	177	4⅝	4½	4⅝	+ ⅛

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25	18¾	Repgl n.27e		1.1		1400	24⅜	24¼	24⅜	+ ⅛
5⅜	3⅝	RepGyp	.19t	4.9	30	29	3⅞	3¾	3⅞	
52⅞	42½	RepNY	1.32	2.7	348	284	49	48¾	48⅞	− ⅛
11⅛	1⅞	Rexene				205	2⅞	2¾	2⅞	
33⅞	18¾	ReyRey	.80	3.5	10	180	22⅝	22⅜	22⅝	+ ⅛
60⅛	48½	ReyMtl	1.80	3.1	7	5068	59½	57½	58⅝	+ 1⅛
19	14⅛	RhP pfA				17	17	17	17	
3½	1⅞	RhP wt				84	2⅝	2⅝	2⅝	
22	18½	RhoPl n				327	19⅝	19¼	19⅝	+ ⅝
41½	29½	RiteAid	.90	2.7	14	271	33¾	33½	33⅝	
11-32	1-16	RvrOak				63	3-32	5-64	3-32	
19⅞	14⅝	RbtHW			13	5	14½	d14½	14½	− ⅛
14⅛	8⅝	Robtsn			26	105	10¾	10⅝	10⅝	− ⅛
22⅛	17½	RochG	1.66	8.2	10	242	19⅛	18⅞	19	+ ⅛
45⅛	29⅝	RochTl	s1.45	4.5	17	398	33¼	32¼	32¼	− ¼
22⅜	15⅝	RckCtr	1.88	10.	17	243	18⅝	18½	18⅝	+ ⅛
27¼	19¾	Rockwl	.76	2.8	11	4939	u27⅝	27	27½	+ ⅝
7⅞	5	RodRen				2	6⅝	6⅝	6⅝	
37½	28¾	RoHaas	1.20	3.5	13	198	34¾	34¼	34⅜	+ ¼
38⅝	19½	Rohr			273	757	22⅞	21⅞	21⅞	− ¼
14⅞	9⅝	RollinE	.08	.6		1827	14⅝	14¼	14⅝	
21	15⅝	Rollins	.56	2.9	16	650	19⅝	19⅛	19¼	+ ⅛
9⅞	7⅛	RolLeas	.20	2.3	10	302	9	8¾	8⅞	
70	38⅛	Rorer	.84	1.2	32	2035	69¼	67⅞	68	+ ¼
14⅛	7⅝	Rowan				1822	13⅝	13⅛	13⅛	− ¼
25¾	21⅝	RBScot pr1.41e		6.2		121	22⅞	22⅝	22⅞	
79⅛	60⅛	RoylD	3.85e	5.0	6	6386	77¼	76¾	76⅞	+ ¼
15⅛	8½	Roylnt	.20a	2.1	13	35	9⅝	9⅝	9⅝	− ⅛
10	8½	Royce	.52e	5.4		410	9⅝	9⅜	9⅝	+ ¼
39⅞	29⅝	Rubmd	.52	1.3	24	1344	39⅝	38⅝	39¼	+ ⅜
20	13¾	RussBr	.40	2.5	16	26	15⅞	15¾	15⅞	+ ¼
15	7⅝	RussTg	.20	2.3		24	8⅝	8½	8⅝	
27⅛	20	Russell	.32	1.2	16	469	26	25¼	25¾	+ ⅛
31⅜	17⅝	Ryder	.60	2.8	63	1686	21⅜	21⅛	21½	+ ½
29½	15¼	Rykoff	.60	3.7	13	634	16¾	16¼	16⅜	− ⅜
25⅜	18¾	Ryland	.60	3.0	6	668	20¼	19⅞	20¼	+ ¼
14⅛	8⅛	Rymer				10	9¾	9⅝	9⅝	
10⅝	8⅝	Rymr pf1.17		13.		4	8⅞	8⅞	8⅞	
		– S–S–S –								
41	34⅛	SCEcp	2.56	6.7	10	1038	38½	38¼	38⅝	
14½	8⅛	SCOR U	.20	1.9	13	48	10½	10½	10½	− ⅛
8½	7⅜	SL Ind	.16	2.1	12	48	7⅝	7½	7⅝	+ ⅛
59⅜	30⅜	SPSTec	1.28	3.9	14	47	33⅛	32⅞	33⅛	+ ⅜
38⅝	22⅛	SPX Cp	1	3.5	6	142	28⅝	28⅜	28⅝	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅜	10⅞	SunEng	1.35e	12.	39	65	11¾	11½	11⅝	+ ⅛
43¼	35⅛	SunCo	1.80	4.5	73	1704	40⅜	39⅞	40¼	+ ½
83½	68⅛	Sundstr	2.20	2.9	12	2231	79⅞	74⅝	75¼	− 3⅞
4¼	2⅞	SunMn				413	3¼	3⅛	3⅛	− ⅛
9⅛	8⅞	SunM pf1.19		13.		32	9	8⅞	8⅞	− ⅛
26⅞	20⅛	SunTrst	.84	3.6	9	1668	23½	23¼	23⅜	− ⅛
22	15¼	SuprFd	s.32	1.7	15	39	19	18⅝	18⅝	
30⅛	23¼	SupValu	.60	2.2	14	1350	27	26⅞	26⅞	− ⅛
28⅞	16⅛	SupInd	s.26b	1.1	12	58	24¼	24⅛	24½	
17½	8⅞	SurHolv				278	14⅝	14⅛	14½	+ ⅛
25⅝	6⅝	SyblTc			17	1273	11⅞	11	11⅞	− ¼
19⅝	14	Synovs	.36	2.4	15	11	15⅞	15⅝	15⅞	
58	40	Syntex	1.60	2.8	20	4738	58	57⅛	57⅞	+ ⅛
35½	23⅛	Sysco s	.20	.6	25	1307	35⅛	34⅞	34⅞	− ⅛
25⅝	18½	SystCr			17	45	21	21	21	
		– T–T–T –								
29	15⅞	TCBY	.12	.6	17	11822	19¾	17⅝	18⅞	− ⅛
17⅞	9⅛	TCF Fn	.40	4.1	7	174	10	9⅞	9⅞	− ¼
8½	7⅛	TCW	.84	10.		373	8⅛	8⅛	8⅛	− ⅛
29½	24⅞	TECO	1.62	5.6	12	429	29	28⅞	29	+ ⅛
9⅛	6⅛	TIS	1.24e	16.	6	68	7⅞	7⅝	7⅞	+ ⅛
21¼	11⅞	TJX	.46	3.1	16	864	14⅞	14⅝	14⅞	+ ¼
22½	14½	TNP	1.53	10.	8	215	15⅞	15¼	15⅞	+ ⅝
51⅛	43	TRW	1.72	3.4	12	1401	50⅜	49¾	50	
4½	2⅛	TacBt wt				29	3½	3⅞	3½	− ⅛
40⅝	18	Taiwan	16.44e	61.		2039	28¼	26⅞	28¼	+ 1⅞
14	7⅞	Talley	.60	8.3	4	230	8⅛	8	8	− ⅛
19⅛	11⅛	Talley pf	1	8.3		14	12	12	12	+ ⅛
84¼	59	Tambd	2.16	2.6	24	638	u84½	83⅛	84½	+ 1⅛
30⅛	18½	Tandem			23	6472	28⅝	28¼	28⅝	+ ½
48¼	29⅞	Tandy	.60	1.6	11	7743	38	35⅞	38⅞	+ 1⅝
22	13½	Tndyctt			14	9	20⅞	20⅞	20⅞	− ⅛
12⅛	10½	TauNY n.18e		1.6		50	11⅛	11	11	
12⅛	10⅛	TauCA n.17e		1.6		61	10⅞	10⅝	10½	− ⅞
14⅛	7	TchSym			8	68	8⅛	8½	8⅜	+ ⅛
24⅛	12⅜	Tektrnx	.60	4.0	38	1449	15½	14⅞	15	− ⅜
2⅛	1⅛	Telcom			13	5	1⅝	1⅝	1⅝	
40	15⅛	TlcmUS			32	1769	39⅞	39⅛	39⅛	− ⅛
38	23⅞	Teldyn s	.80	3.0		512	27⅛	26⅝	26⅞	+ ⅛
27⅞	22⅛	Telef	1.07e	4.6	13	3237	23⅝	23⅛	23⅝	+ ⅛
36½	27½	Templl s			9	455	36½	36⅛	36½	+ ⅜
15⅝	8⅝	TempIE	.33e	2.3		294	14⅝	14½	14⅝	+ ⅛
9⅞	7⅞	TpGGv	.90	12.		569	7⅞	7¾	7¾	
9½	6¾	TmpGlb	.90	12.		2024	7⅞	7⅛	7¼	− ⅛
[illegible]										

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
49	44⅛	Xerox pf4.13		8.7		8	47⅛	46⅞	47⅛	+ ⅛
33	21¼	XTRA	.48a	2.0		169	24⅛	23⅞	24	+ ⅛
25⅝	18⅝	XTRA pf1.94		9.7		12	20	19⅞	20	+ ⅛
4⅛	2	Zapata				636	2¼	2⅛	2¼	+ ⅛
12⅛	6⅛	Zemex				2	6⅛	6⅛	6⅛	
21⅛	7⅞	ZenithE				670	9⅛	9⅛	9⅛	− ⅛
21½	13½	ZenNtl	.88	5.8	9	59	15⅝	15⅛	15¼	+ ⅛
9⅛	5⅝	Zeniix	.90	15.		44	6⅛	6	6	− ⅛
16½	12⅞	Zero s	.40	2.7	15	167	14⅞	14½	14⅞	+ ⅛
47⅞	32¼	Zurnls	.76	1.6	20	380	47⅝	46⅝	46⅞	− ⅛
12⅞	10⅜	Zweig	1.21e	10.		177	11⅞	11⅝	11⅞	+ ⅛
10	8	ZweigTl	.95	10.		1187	9¼	9⅛	9¼	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices May 30

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow regains momentum after profit-taking pause

Wall Street

RALLYING overseas markets helped US equities to pile on more gains yesterday. It was a volatile day. Buying ran out of steam at midsession, when profit-taking set in, but the indices began picking up almost immediately thereafter, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 15.66 higher at 2,886.15. Volume was active with 122m shares traded by midsession. The Dow had surged 49.57 to close at a record high of 2,870.49 on Tuesday as traders returned from the long holiday weekend.

The Nasdaq over-the-counter market continued to rise because of interest in high-tech issues. At midsession, the Nasdaq Composite index stood 1.13 higher at 458.64, doing better than the Dow Jones Industrial Average of blue chip stocks.

The ability of the market to improve on Tuesday's record levels partly reflected the fact that the rally which opened the week was technically solid. Although it came in thin trading, there were important confirmations of the DJIA's record levels by other key indices.

The Standard & Poor's 500, perhaps the most representative index of the broad market, finally broke its October 1989 record. The Dow Jones Transportation Average and the Dow Jones Utilities Average also improved. There had been some concern that the narrow DJIA had significantly outperformed these other indices and that a sustainable advance could only be achieved if they were to catch up.

One positive sign yesterday was the increase in volume. On Tuesday, only 137m shares changed hands which allowed stock index arbitrageurs to dominate trading. Market conditions were much more stable yesterday with higher volume suggesting some genuine activity outside arbitrage plays.

There was little reaction to yesterday's economic releases. The 0.2 per cent decline in US leading indicators in April was in line with expectations as was a 1.6 per cent decline in single-family home sales in April.

The Treasury bond market was quoted modestly higher at midsession with the long bond quoted ¼ point up for a yield of 8.60 per cent.

Technology stocks stayed in focus. On the New York Stock Exchange, issues were mixed. IBM, which was featured in a highly positive article in the magazine Barron's, continued to rise, quoted $1⅝ higher at $121⅛; but Compaq Computer, another strong performer, fell back $1 to $119⅜. Digital Equipment slipped $⅛ to $94⅛.

On the OTC market, Tandon added $⅛ to $2⅜, Apple Computer gained $⅛ to $41⅛ and Intel edged $⅛ higher to $48⅜.

Walt Disney surged $5⅛ to $124⅞ after an analyst at brokerage Wertheim Schroder repeated his buy recommendation on the stock.

In contrast, Circus Circus slumped $2⅜ to $62½ after Bear Stearns downgraded the stock from a buy to a hold.

LA Gear dropped $3⅛ to $44⅛ in heavy trading in a continuation of the profit-taking which hit the stock on Tuesday.

Avery International fell $1 to $25¼ after the company said that it expected to report second quarter net income as much as 10 per cent below the 55 cents a share reported in the same quarter a year ago.

Canada

TORONTO stocks held on to opening gains at midsession, buoyed by rises in foreign markets and hopes that provincial premiers would reach an agreement on a new constitution. The composite index climbed 31.0 to 3,555.2 on volume of 16.21m shares. Advances led declines 280 to 178.

Among active issues, Toronto-Dominion climbed C$⅛ to C$17⅞, Laidlaw rose C$⅛ to C$26⅛, Bank of Nova Scotia gained C$⅜ to C$13⅜ and Canadian Imperial eased up C$⅛ to C$27.

EUROPE

Overnight impetus lost in later bourse trading

OVERNIGHT impetus from Wall Street gave bourses a lift yesterday; but most of them lost it, and Brussels was denied by a computer fire, *writes Our Markets Staff.*

MILAN hit a new 1990 high, on Wall Street and on hopes of a further cut in the discount rate. But Budget Minister Paolo Pomicino ruled out any short-term cut in spite of the lira's continuing strength in the EMS. The Comit index rose 6.98 to 746.16 on volume of around L300bn.

Ferruzzi Finanziaria rose L58 to L3,196 after Tuesday's announcement of a L150bn stock buy-back programme and an unchanged dividend. Eridania, Ferruzzi's sugar and edible oil subsidiary, jumped L358 to L9,998. Eridania's managing director Renato Picco said at the shareholders' meeting that consolidated net operating profit should rise 10 per cent to L600bn in 1990.

AMSTERDAM was disappointed by NatNed's first quarter results. The stock fell Fl 2.50 to Fl 73.10 after reporting a 36.5 per cent dip in first quarter results due to severe winter storms. Stripping out the costs of the storm damage, NatNed's net was only up eight per cent, not nearly as impressive as Aegon's 30 per cent rise, said Mr Jeremy Goodman at Carnegie International. Aegon rose Fl 1.30 to Fl 126.

The market had started off firmer, thanks to gains in the US and the UK, and the CBS Tendency index hit a 1990 high of 120.9. But NatNed's results pulled the market lower and the index finished 0.5 higher at 120.5 in moderate volume.

PARIS opened firmer on the back of Wall Street but was dragged from its highs by a disappointing profit forecast from BSN, the food group. BSN chairman Antoine Riboud said at the annual meeting that 1990 attributable net profit would rise eight per cent, below market expectations of 15 per cent. The remarks prompted heavy selling of BSN which closed FFr30 lower at FFr864 with 436,560 shares traded.

News that President Mitterrand was considering taxing long-term capital gains also dampened the market. The CAC index, which hit a high of 2,139.55, ended 2.29 lower at 2,120.00 on volume of FFr3.2bn.

Elf, the oil producer, continued to recover after recent losses linked to unrest in Gabon, and closed FFr10 higher at FFr710 with 312,100 shares traded. It came off highs of FFr717 on selling following an analysts' meeting, where its takeover of the state-owned Orkem chemical activities were said to have been badly presented. Elf was expected to issue an explanatory statement on Orkem today.

Confirmation of a deal between Paribas and its former bid target Navigation Mixte came after the market closed. Paribas will cut its stake in Mixte to 30 per cent from 40.5 per cent, and Mixte will reduce its Paribas stake to 9.5 per cent from 12.7 per cent. Paribas ended FFr4 lower at FFr676 and Mixte was steady at FFr1,845.

FRANKFURT had a frustrating day, according to local dealers, who tried to push the market up after Wall Street's overnight gains. They found no buyers at higher levels, and had to get ride of their positions quickly.

The DAX rose to an early peak of 1,854.06, but it closed 2.20 lower at 1,840.54 after a 2.82 decline to 781.17 in the FAZ at midsession. Volume fell DM1bn to DM5.3bn with Volkswagen, after a big buy order noted on Monday, still topping the most actives list in turnover of DM852m.

"This proves two things," said a domestic dealer yesterday. "First, we don't react to Wall Street or Japan any more and, secondly, we don't have enough orders from investment clients, so the markets are made by professionals."

ZURICH extended its run in active trading, the Crédit Suisse rising another 5.9 to 655.3. An opening surge of buying orders focused initially on engineering stocks, and the market picked up any stock which came out on profit-taking, which was quite strong in the morning.

A continued easing in domestic interest rates, the persistent strength of the Swiss franc and robust buying in the Swiss franc bond market all contributed to the foreign interest in Swiss equities.

BRUSSELS was halted by a fire which short-circuited the computerised trading system of the exchange. There were no closing stock quotes, but an analyst said that until the fire crippled the computer at 12:30 pm local time, trading had been good.

STOCKHOLM was led up by isolated blue chip gains, the Affärsvärlden general index closing 8.6 higher at 1266.5. OSLO had a similar, 2.98 rise to 642.63 in the all-share index, but this was before the news that oil futures in New York had broken "effortlessly" through the $18 a barrel level after the earthquake in Romania and the southern Soviet Union.

MADRID ended the continuous trading session firm, thanks Wall Street on Tuesday and good Spanish commercial deficit figures. The general index rose 2.85 to 283.76, 0.83 better than at the close of pit trade. Most of the activity was in the utilities sector, where Iberduero rose Pta11 to Pta859 and Hidrola gained Pta5 to 505. In the building sector, Dragados rose Pta80 to Pta3,265.

Oslo optimistic in spite of oil price collapse

Karen Fossli finds Norwegian brokers, back from Jersey, looking for new index highs

HAVING returned from their annual meeting on Jersey at the weekend, Norwegian stockbrokers are now trying to predict the course of oil prices after last week's collapse.

In spite of the sensitivity of Norway's economy to oil's ups and downs, they are still speculating on the extent to which the Oslo bourse will be able to improve on its excellent start to 1990.

Oslo has been one of Europe's top performers, this year and last. The all-share index rose 54.4 per cent in 1989 and so far this year it has put on another 23.4 per cent to 642.63. Unfortunately, this extended rise reached its peak more than two months ago, when the index hit its all-time high of 649.73 in mid-March.

In the interim, equities lost almost half of their 1990 gains before climbing back. The loss was due partly to the Easter holidays, but mostly to world crude oil prices. Those dropped during the first quarter because of Opec overproduction, forcing an oversupply of oil in world markets.

Bourse turnover fell drastically in April, to NKr4.64bn compared with a monthly average of NKr10.6bn for the first quarter. On a daily basis, it has swung between a high of NKr1.33bn on March 7, after the index hit a succession of record highs, to a low of NKr100m on May 8, although it has managed to maintain a daily average of around NKr497m.

This has been largely due to the high number of share issues so far this year, which have raised some NKr6bn compared with NKr7.3bn for the whole of 1989. There is growing belief that around NKr10bn will be raised for the year as a whole, draining liquidity from the market.

This month, the index has seen a low of 604.25 on May 2, and a high of 647.17 on May 14.

So far, it has failed to break what appears to be a psychological barrier at 650, but there are hopes for more balanced economic growth in Norway, and growing optimism that the index will top 700 at some time during the year, even if there are problems along the way.

FT-A World Indices (local currencies)

London-based broker Kleinwort Benson believes that Oslo will out-perform Europe over the full year on the back of high oil prices, improved company results and a stabilised economy. However, at the moment the market is weighed down by last week's fall in oil prices by nearly $4 to about $15 a barrel. It is unlikely to rise much until they recover and stabilise.

Mr Dagfinn Sundahl, an executive with Oslo-based broker Sundahl Collier & Montagu, is confident that oil prices have bottomed out, although he believes that they will remain unstable in the short term.

He is very bullish on his home market, and believes that trading activity will increase significantly because of government liberalisation proposals.

These recommend that life insurance companies be allowed to boost their equity investments from 12 to 25 per cent of their total assets from June.

It is also expected that Parliament will permit banks to increase their equity investments from 2 to 4 per cent of assets and that limits on foreign shareholdings in Norway's banks will be raised from 25 to 33 per cent.

That leaves the immediate short term. According to Carnegie International in London, Oslo's April decline was a correction triggered by low oil prices, the high number of share issues and upward pressure on interest rates.

"The interest rate level is actually higher than the average in 1989 and the interest differential relative to Norwegian trading partners has increased," Carnegie explains.

Both Kleinwort Benson and Carnegie believe, however, that there is scope for interest rates to decline, though that is likely to occur later rather than sooner.

ASIA PACIFIC

Enthusiasm recovers after bond prices fall

Tokyo

A WEAK yen and lower bond prices depressed the market in early trading but investors later regained buying enthusiasm as the currency stabilised, *writes Michiyo Nakamoto in Tokyo.*

The market tracked the yen yesterday and early weakness in the currency triggered a sell-off just after the start of trading. Later, a recovery in the yen prompted buying of a wide range of issues with special incentives that helped share prices recoup their earlier losses. The Nikkei average lost nearly 300 points before climbing back to gain 108.59 points by the end of the day to close at 32,926.26. Volatile trading during the day saw the index fluctuate between a high of 33,002.37 and a low of 32,465.35.

Advances outnumbered declines by 511 to 414 and 197 issues were unchanged. Turnover, at an estimated 800m shares, was steady with the level attained on Tuesday. The Topix index of all listed stocks added 5.43 to 2,417.09 and in London, the ISE/Nikkei 50 index rose 5.54 to 1,816.22.

Selling in arbitrage with futures also undermined share prices in early trading. With an estimated Y500bn of selling in store before the June contract expired on June 7, the market was likely to come under substantial selling pressure for the next week or so, said a broker at a foreign firm.

Buying interest was widespread, said one broker, and concentrated initially on high tech electricals. Later, however, many of these issues came off their highs.

The market shed its overall gloom by using the construction sector as a prop. Construction companies have been widely favoured for their strong earnings and prospects for continuing buoyant business. Shimizu added another Y60 to its recent gains and closed at Y2,150.

Issues linked to the environmental protection theme remained in favour. News that a leading Japanese broker will launch a "green" fund added to the excitement. Sanyo Electric, which has been developing solar batteries, saw a surge of interest and topped the actives list with volume of 36.3m shares. Sanyo closed with a gain of Y24 at Y1,010.

Elsewhere, Toyobo, the textiles maker, was bought for its involvement in the environmental protection business and on active buying by a leading broker. Toyobo closed up Y58 at Y825.

Buying in a wide range of issues supported a modest rise in Osaka. The OSE edged up 84.80 to 35,251.90 on volume of 78.2m shares, after 73.5m on Tuesday.

Roundup

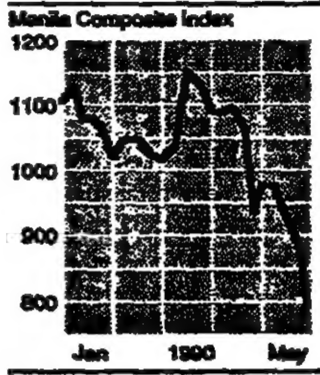
WALL Street's rally spurred most Pacific Rim markets at the opening but domestic concerns and a lack of follow-through buying dragged share prices off their highs.

HONG KONG shot to a new post-June 4 high in heavy trading, propelled by Wall Street's rally and an improved political climate. The Hang Seng Index surged 34.80 to 3,083.35, shattering its highest previous close since the mass killings in Peking of 3,068 on April 19. Turnover swelled to HK$1.55bn from HK$1.18bn.

MANILA plunged in active trading after the military warned that rebel soldiers might attempt a coup next month. The composite index suffered its biggest daily drop as it fell 62.57, or 7.26 per cent, to 798.15, the lowest level for 17 months. Turnover rose 457.6m shares from 301.1m. Among issues traded, San Miguel Corp fell 6 pesos to 57 pesos and newcomer Metro Drug Inc B closed at 2.44 pesos, from an offering price of 2.79 pesos.

Philippines

Manila Composite index



AUSTRALIA was thrown into disarray by news of a 1.8 per cent rise in first quarter Gross Domestic Product, since the market had expected a contraction in the economy. The surprise expansion suggested that interest rates would stay higher for longer than forecast. The market had opened stronger after Wall Street's gains, pushing the All Ordinaries index up about 10 points but the economic news pushed market interest rates and the Australian dollar higher. The index closed 4.6 higher at 1,499.5.

Turnover rose to 82m shares or A$171m from Tuesday's 77m shares or A$176m.

NEW ZEALAND closed firmer though off the day's highs. The Barclays index went through 1,800 before closing 15.61 higher at 1,797.18, its highest level in 10 weeks. Turnover jumped to 10.7m shares or NZ$21.6m from 7.0m shares or NZ$16.0m.

TAIWAN extended its gains for the third day in a row, encouraged by news that the Central Bank would take steps to to boost money supply and stimulate the economy and the announcement of a new Cabinet. The weighted index gained 153.94 to 6,657.00. Trading volume rose to 1.57bn shares or NT$59.42bn from 1.33bn or NT$79.59bn.

SEOUL rose on unconfirmed reports about a possible summit between South Korean President Roh Tae-Woo and Soviet President Mikhail Gorbachev. The two countries do not have diplomatic relations. But the market came off as government officials denied the reports. The composite index rose 6.02 to 783.89 in active trading volume of 12.2m shares or 219.3bn won.

SINGAPORE eased in shrinking volume as investors took profits and headed for other markets in the region. The Straits Times index slipped 0.76 to 1,557.44 and turnover fell to 59.0m shares from 63.5m shares.

KUALA LUMPUR was locked in a tight range and ended mixed in low volume. An initial rise on the back of Wall Street's surge petered out as follow-through buying failed to materialise. The composite index ended 0.46 better at 582.26.

SOUTH AFRICA

GOLD shares closed lower in listless trading, as the bullion price fell back to $366. Trading was likely to stay slow ahead of today's Republic Day holiday. The overall index slipped 7 to 3,186. Vaal Reefs ended R5 lower at R317.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 29 1990						MONDAY MAY 28 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	134.79	+0.4	117.89	116.95	+0.6	5.94	134.28	117.80	116.19	158.31	125.85	131.83
Austria (19)	245.11	+1.6	214.40	212.85	+0.9	1.27	241.33	211.71	210.95	285.63	193.15	116.53
Belgium (61)	150.78	+1.3	131.88	127.91	+0.7	4.51	148.87	130.60	127.02	160.02	132.11	126.97
Canada (119)	135.95	+0.8	118.91	116.31	+0.6	3.52	134.87	118.32	115.63	153.61	130.37	136.19
Denmark (33)	257.04	+0.6	224.82	222.34	−0.1	1.29	255.63	224.26	222.51	260.82	236.69	172.58
Finland (26)	137.78	+0.5	120.51	113.45	+0.0	2.41	137.12	120.29	113.40	152.29	129.99	143.42
France (125)	167.13	+1.0	146.19	147.67	+0.5	2.78	165.40	145.11	146.98	168.85	141.69	115.78
West Germany (93)	131.27	+2.1	114.82	114.10	+1.5	1.98	128.60	112.82	112.45	137.71	122.05	82.17
Hong Kong (48)	126.44	−0.3	110.59	126.31	−0.3	4.92	126.77	111.21	126.67	126.90	112.24	118.19
Ireland (17)	183.66	+1.6	160.64	161.24	+1.0	2.72	180.73	158.55	159.66	198.57	172.72	137.25
Italy (96)	106.67	+0.7	93.31	97.87	+0.2	2.43	105.89	92.90	97.67	106.67	91.85	76.39
Japan (454)	154.92	−1.9	135.50	147.77	−1.1	0.56	157.86	138.49	149.38	197.26	124.40	177.66
Malaysia (35)	232.59	−0.7	203.44	241.90	−0.6	2.23	234.26	205.51	243.38	245.32	204.15	179.30
Mexico (13)	531.19	+0.0	464.62	1644.47	+0.1	0.32	531.05	465.88	1643.17	531.19	324.53	224.01
Netherland (43)	140.82	+1.0	123.18	121.03	+0.5	4.66	139.46	122.34	120.46	145.66	130.43	114.34
New Zealand (17)	63.90	+0.9	55.89	59.02	+0.7	7.45	63.31	55.54	58.62	75.36	59.57	64.94
Norway (23)	241.84	+0.8	211.53	211.31	+0.3	1.50	239.95	210.50	210.72	245.90	202.34	177.75
Singapore (25)	206.98	+0.1	181.04	176.27	+0.1	1.91	206.87	181.48	176.08	207.28	179.70	156.06
South Africa (60)	195.48	+3.8	170.98	165.30	+1.0	3.60	188.32	165.21	163.67	251.39	173.80	130.46
Spain (42)	159.21	+1.1	139.25	125.32	+0.3	4.24	157.54	138.21	124.98	165.19	132.84	144.51
Sweden (35)	210.25	−0.2	183.90	188.62	−0.7	2.14	210.67	184.82	190.01	210.67	173.89	158.01
Switzerland (66)	104.09	+3.0	91.04	90.95	+1.9	2.27	101.07	88.67	89.29	104.09	88.75	89.57
United Kingdom (306)	157.44	+1.5	137.71	137.71	+1.2	4.86	155.12	136.08	136.08	164.31	139.87	137.96
USA (537)	145.76	+1.6	127.49	145.76	+1.6	3.33	143.42	125.82	143.42	145.76	130.61	130.11
Europe (984)	146.64	+1.5	128.26	127.32	+1.0	3.55	144.52	126.79	126.12	146.66	135.57	113.32
Nordic (117)	203.95	+0.2	178.39	172.52	−0.3	1.74	203.45	178.48	173.07	203.95	185.01	150.74
Pacific Basin (660)	153.12	−1.7	133.93	145.65	−1.0	0.87	155.82	136.70	147.10	192.75	124.63	173.45
Euro−Pacific (1644)	150.89	−0.5	131.98	138.68	−0.2	1.93	151.64	133.03	139.01	174.18	130.35	149.42
North America (656)	145.07	+1.6	126.89	143.80	+1.6	3.34	142.81	125.28	141.58	145.76	131.02	130.38
Europe Ex. UK (679)	138.33	+1.4	121.00	120.58	+0.8	2.74	136.38	119.63	119.61	139.50	124.81	97.86
Pacific Ex. Japan (206)	130.97	+0.1	114.56	118.19	+0.2	5.15	130.81	114.76	117.90	139.32	122.53	122.94
World Ex. US (1836)	151.04	−0.4	132.11	138.58	−0.2	1.99	151.65	133.04	138.85	173.77	131.30	148.82
World Ex. UK (2068)	147.12	+0.2	128.68	141.19	+0.3	2.19	146.90	128.87	140.72	162.00	130.80	141.46
World Ex. So. Af. (2313)	147.73	+0.3	129.22	140.84	+0.4	2.44	147.36	129.28	140.06	161.84	131.95	141.21
World Ex. Japan (1919)	145.92	+1.5	127.63	137.44	+1.3	3.49	143.76	126.12	135.72	145.92	134.62	123.81
The World Index (2373)	148.02	+0.3	129.47	140.81	+0.4	2.45	147.61	129.50	140.23	162.05	132.25	141.14

Latest prices were unavailable for this edition.

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